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32nd Annual N. A. C. M. Convention, Louisville, June 6-10

Vol. XXIX, No. 4

TECHNOLOGY DEPARTMENT

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MONTHLY

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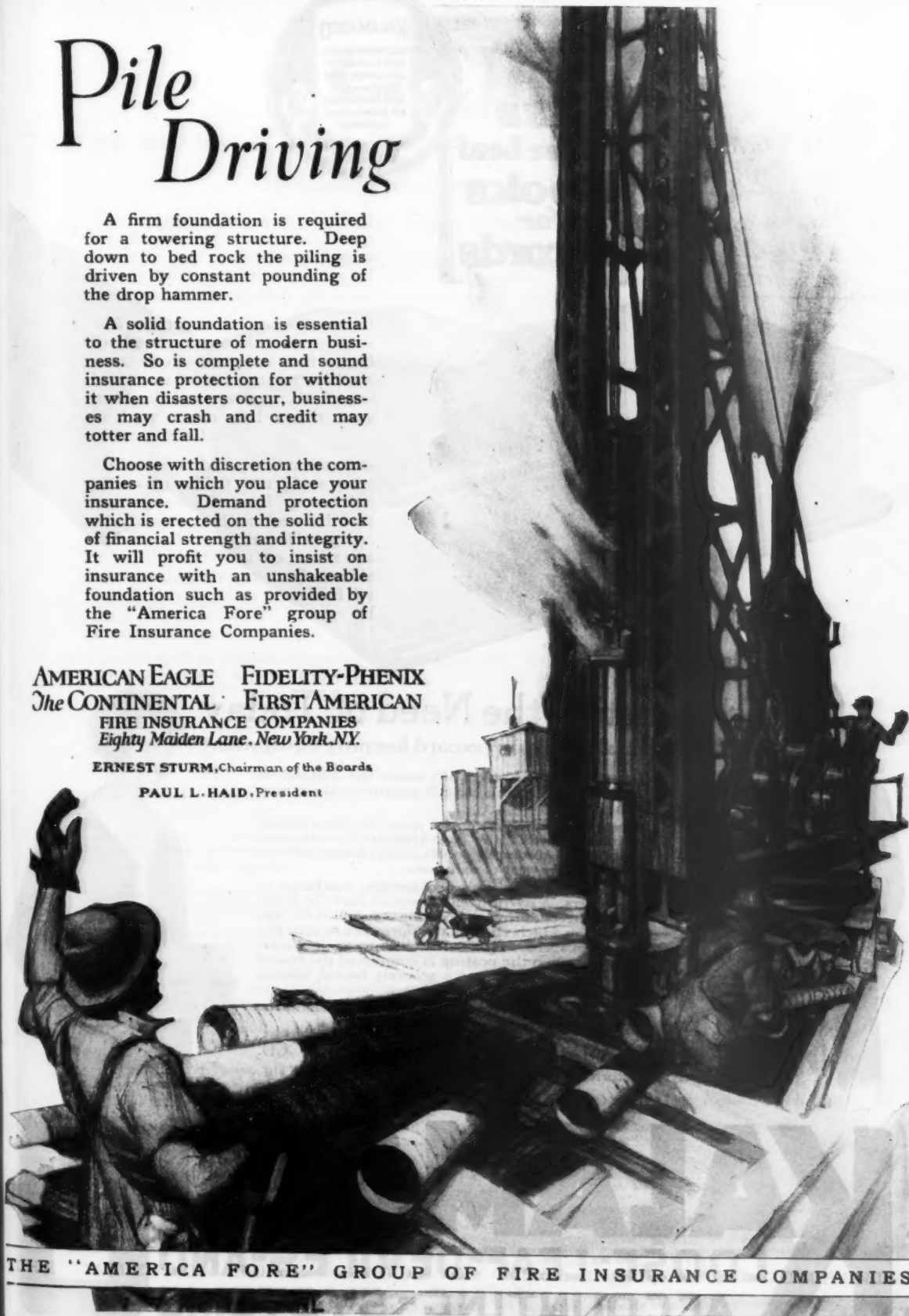
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THE CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

Rodman Gilder, *Editor*

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CREDIT
MONTHLY
April, 1927

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Vol.
XXIX
No. 4

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Liabilities	14,242,433
Net Surplus	7,155,586
Surplus to Policyholders	10,155,586

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The Grouch

"I HAVE JUST let Crabbe go," remarked a young credit manager to his neighbor, as they took their adjoining places at a trade group luncheon.

"Why, I thought he was one of your most able assistants," exclaimed the friend and competitor at his side. "How come?"

"I was tired of the needless friction he created in the Credit Department. He had a great liking for truth, but only if the truth was unpleasant or painful. I never heard him mention anything optimistic or constructive or encouraging.

"In studying the situation, I came to the conclusion that I was getting just as much efficiency with little or no friction from several other men; and when he said he had a chance for advancement in another company, I encouraged him to go.

"I don't often give unasked advice, but in this case I handed him a little sermon on grouchiness and explained that in my department preference would be given—*other things being equal*—to the man who does not eternally carry a chip on his shoulder. I also conveyed the same idea to the rest of the department."

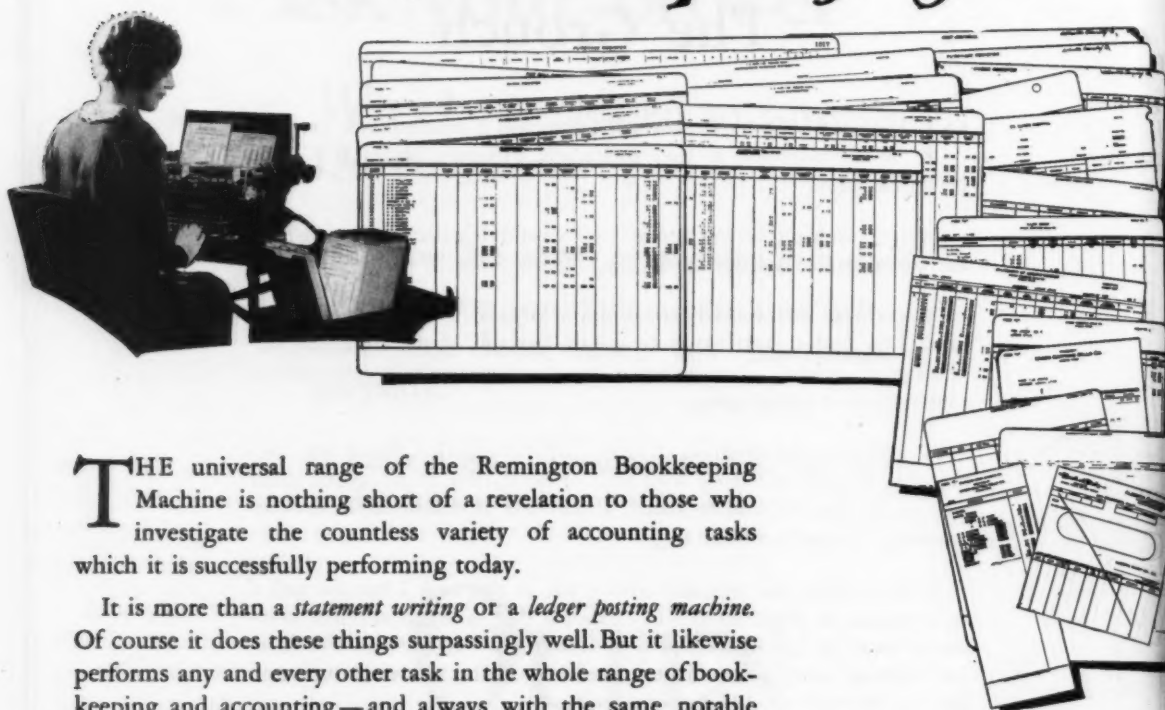
"Maybe you were right," commented the older man. "The only possible use of having a grouch in your organization is that he *must* do his work well, because he is constantly under fire. Everyone's hand is against him, and most of his associates are delighted to show up his shortcomings. To survive at all he must be honest, prompt and efficient."

"Yes," replied the other, "but with the cheerful, co-operating crowd I have now, life's certainly pleasanter for everybody. And the work of the department runs along faster and smoother, I believe, than it did before. It is up to me to know how the work is going, to throw light on inefficiency and repair the weak places in the mechanism without the aid of a professional grouch."

Redman Gilder

Editor.

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THE CREDIT MONTHLY

Vol. XXIX

APRIL, 1927

No. 4

Credits in a Young Industry

How Electric Refrigerators Are Marketed

By Eleanor Boykin



F. O. PANSING

THE amazing speed with which a new industry can take hold of our commercial life is one of the phenomena of the age. Especially since the World War. The radio was one example, and more recently the

rapid development of electric refrigeration has shown what strides an industry may make, once it gains momentum.

When a new enterprise appears in a well-tilled field, the chances are that it will accept the trade customs already established in that field. But when a new industry looms on the horizon, its leaders have to do some trail-blazing, and the laying out of their production, sales and credit policies has all the interest that is attached to any sort of pioneering.

Electric refrigerators have for a quarter of a century at least been under experimentation, but the successful and profitable marketing of them is a matter of the last few years. What have been the credit problems and how have they been handled in this new market development? The CREDIT MONTHLY asked this question of credit executives in some of the larger companies which manufac-

ture and market ice-making machines, and their answers suggested this principle: Credit must make haste slowly in newly expanding enterprises, especially in pioneering lines.

The situation might be summed up by this paradox—credit is given only on a cash basis. Though the unit of sale is large, producing companies keep carefully away from any “carrying” operations; and sight drafts, and commercial paper discounts keep financing clean and straight. Still, there is no getting away from heavy credit responsibilities, whether the product is sold through exclusive distributors or through dealers generally.

It must be remembered that, although at first the electric refrigerator was regarded as a luxury and bought only by those who could afford (and possibly preferred) to pay cash, already widespread advertising and the fast-moving tempo of our times have brought the public to regard it more in the light of a necessity. It has taken its place in the class with those household appliances bought by families of moderate means on the instalment plan. This situation must affect the manufacturer even though he is well out of the current of time payments.

For information about credit as applied to the wholesale selling of this modern invention, we naturally turn first to the Frigidaire Corporation, subsidiary of the General Motors Corporation, because the corporation leads the field at the present time. Summing up their system of

distribution and credit, F. O. Pansing, credit manager, explains:

“Our distribution is handled in the United States by thirty-eight distributors and twenty-nine direct factory sales branches.

Domestic Distributors

“Our regular terms to distributors are sight draft against bill of lading; or shipments may be handled through the GMAC (General Motors Acceptance Corporation), another subsidiary of General Motors, on one of their wholesale plans, either Floor or Warehouse. They in turn distribute the refrigerators through utility companies, dealers and salesmen.

“Terms to utility companies as a rule are net cash 10th prox., and to regular dealers sight draft against bill of lading. They also enjoy the GMAC wholesale financing plan where credit conditions warrant. The dealers in turn sell to the consumer on either (a) cash basis; (b) note basis, which in most cases is handled through their local bank; or, if the customer prefers, (c) a deferred method of financing which is then handled through the GMAC.

“The salesmen, as a rule, operate in our distributor’s headquarter town; and, in those cases, our distributor himself must carry the open account until it is closed either by cash or GMAC plan. When it is settled on a GMAC basis, the contract is then discounted with the GMAC and, from that time on, the GMAC follows the collection of that particular account.

“We require from our distributors

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a copy of a quarterly certified audit, and are endeavoring to have all of them use a uniform accounting procedure, that is, a uniform classification of accounts, balance sheets and profit and loss statements, so that we can more easily prepare here in the headquarters office statistics useful both to our company and to distributors in properly directing their business. We are also prepared to send upon request a competent representative to work with the distributor's internal organization in accomplishing mutually desirable results.

"To give us a yardstick by which we can measure distributor's operations, we have consolidated statements from what we consider a good operation in five different sections of the United States, and have then broken down into percentages the costs of operations, etc. This analysis enables us to point out chances for improvement in certain cases.

"We want every distributor to keep his bank properly informed as to his operation and possibilities of the business and are glad to work with him in that direction."

Domestic Branches

"Our shipments to branches are handled on a consignment basis and our distribution from there is handled through utility companies, dealers and salesmen. Terms to utility companies and dealers are the same as granted by distributors. Accounts covering sales made by salesmen are carried directly by the branch and settlement is effected by the branch.

"As shipments are made, multi-form billing is made up by the branch and ledger sheets forwarded to the headquarters office in Dayton covering the account, these sheets being filed alphabetically in our Accounts Receivable Department. Each branch has a Credit and Collection Department in which is retained a copy of the billing for collection follow-up.

"As the accounts are closed, remittance advices in quadruplicate are made out and three copies are sent us, two copies with the deposit ticket going to the cashier, one of which is receipted and returned to the Branch, the other receipted and turned over to the Accounts Receivable Department, and the third copy is turned over to the Collection Department so they will not write a branch regarding an account which is paid but for some reason is not yet posted in the

Accounts Receivable Department.

"Having the ledger sheets at our main office enables us to control terms and watch accounts more carefully, while depositing collections locally gives us the benefit of the cash that much sooner.

"At certain intervals, auditing statements are sent out by the Credit Department direct to the customer in order to reconcile the accounts as they appear on our books. In a great number of cases, these statements when returned give us such information that we can satisfactorily dispose of the account. This also gives us a check on our salesmen.

"While the passing of credit on individual sales and collection of accounts is left largely with each branch, when quantity sales are made, such as to apartment houses, ice cream companies, soda fountain manufacturers, freezer counter manufacturers, and so on, we require a recent, officially signed financial statement, bank references, several trade references and a Dun or Bradstreet's report to ascertain if credit can be safely extended—and, if so, a limit is put on the account. Such sales may be made on either a cash or GMAC basis and must be jointly approved by the GMAC and our Credit Department at Dayton. This not only distributes responsibility but also gives us the benefit of other opinions.

Frigidaire Methods

"It is our opinion that if the proper analysis is made of any account, the Credit Department can easily determine how much credit should be extended in that case; and the customer should be held strictly to that amount.

"Particular attention must be paid, especially to apartment house transactions, because the general mortgage in such transactions as a rule covers not only the real estate and building, but also specifies all of the equipment—as well as an assignment of the rent to the mortgagee. In some States, a Retention of Title contract takes precedence over a general mortgage. But each case needs to be handled on its individual merits.

"The Credit Interchange Bureau should be used freely to determine in what markets a customer is buying and to what extent. Close contacts of groups handling the same line of products should be maintained. If frequent meetings among these are

held, valuable information can be brought to light so that the concerns interested can work constructively with their debtors. In this way, a group can assist a worthwhile customer and at the same time eliminate undesirable risks.

Co-operation with Sales

"Our factory departments co-operate very closely, particularly the Sales and Credit Departments. Before and after trips into their territories, the traveling representatives of our Sales Department discuss with the members of the Credit Department matters of mutual concern. They have a clear understanding of the general financial condition of all of our distributors and we are informed of any promotional ideas they consider putting into effect. This overcomes in a large measure a danger which seems to exist in some companies where too much pressure is brought to bear by the Sales Department, and bad results follow. This may, however, sometimes be due to a weakness on the part of Credit Departments.

"Monthly meetings are held the first Monday night in each month so that the members of the Credit and Collection Department may discuss their own departmental problems and also the relation it bears to other departments. They learn, too, something of other phases of the business so they can handle their work in the most intelligent manner.

"After all, all departments are 'selling', though perhaps not as directly as the salesman, who is in the firing line. We must know our product and policies if we hope to sell our Company to the banks, to business, and to customers with whom we come in contact.

"We do not try to have no credit losses, which would mean that we were maintaining too strict a credit policy. The profit on reasonable risks will, in the aggregate, be a great deal more than the loss sustained by taking those risks. It is therefore better to handle a reasonable amount of business in this manner than to suffer no credit losses at all.

"If we can get the people in our various departments to feel that they are *developers of business* irrespective of their line of work, we are sure this will go a long way toward correcting the abuses which frequently result in commercial failures and will

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The Frigidaire Corporation has adopted a loose-leaf form to accumulate and compare the financial statements as furnished by its distributors. Note that there is a place for the current ratio. The following tabulations appear at the left hand side of a ruled, looseleaf ledger sheet, 8½ x 11 inches high, with space for the distributor's address at the top of the sheet.

NAME: ADDRESS:

ASSETS

Cash on Hand and in Bank
Notes Receivable—Customers
Accounts Receivable—Customers
Inventory
Deposit and Commission Account
Advances

TOTAL QUICK ASSETS

Notes or Accts. Rec.—Off. Emp., etc.
Consignment
Other Investments
Prepaid Charges
Real Estate and Buildings
Machinery, Fixtures and Equipment
Goodwill, Patents, Copyrights, etc.
Other Assets

TOTAL ASSETS

LIABILITIES

Notes Payable—Delco-Light Co.
Notes Payable—Banks
Notes or Accts. Pay.—Off Emp., etc.
Accts. Payable—Delco-Light Co.
Accts. Payable—Others
Federal Taxes
Deposits and Other Trust Funds
Miscellaneous Accruals

TOTAL CURRENT LIABILITIES

Consignment
Bonded or Mortgage Debt—Due
Other Deferred Debt
Delco-Light Co. Investment Acct.

TOTAL LIABILITIES

Reserves for Depreciation
Capital Stock
Surplus
Profit and Loss for Period
Net Worth (If Firm)

TOTAL

QUICK ASSETS

CURRENT LIABILITIES

EXCESS—QUICK

Percent Current Debt to Quick Assets

CONTINGENT LIABILITIES

Sales
Net Profits
Dividends or Withdrawals
Adjustment
Net Addition to Surplus
Charged Off
Percent of Net { Avg. Net Worth
Profits to { Sales
Watts Required for Overhead
Gross Watts for Month
Net Watts for Year

give us an impetus which will carry the business a long step forward."

Kelvinator Policies

Although the distribution system of the Kelvinator Corporation, which claims the distinction of putting on the market the first successful domestic electric refrigerator in 1914, differs somewhat from that of the Frigidaire Corporation, the principle of cautious but constructive credit is applied in a similar way. Kelvinator refrigerators are sold through branch offices in Boston, New York, Baltimore, Atlanta, Chicago, Peoria, and Indianapolis and the head office in Detroit, to dealers who, only in very few instances, have an exclusive contract for their territory, the corporation being opposed to the idea of exclusive franchise. Each branch office has its Credit Department responsible for all credit operations in its territory, though under the general supervision of the National Credit Department of which G. E. Rogo is head.

The dealers, who naturally must be investigated very carefully from the credit as well as sales standpoint, are usually exclusive in one sense, they sell nothing but refrigerators; the Company believes that in these circumstances their goods will be more aggressively pushed. The steps that are taken in establishing a dealer account and keeping it in a healthy condition were described by Howard Bailey, Credit Manager of the New York office.

"In adding a new dealer," Mr. Bailey said, "we have to assure ourselves of two things, the man's sales ability and his financial responsibility. A large amount of capital is not always insisted upon, if the man's previous experience as an engineer or salesman of electrical appliances have proved his ability to sell and to organize a sales force, and if a thorough investigation satisfies us as to his character. We are willing to work with him toward building up his business.

"Many of our dealers we start off by selling them on terms of sight draft against bill of lading. After they are well established, we allow them to make payment ten days after shipment. And our latest move has been to draw up a form of sales contract which calls for only a 10 per

cent. cash payment, with the remainder payable on notes within 90 days' time. These notes are payable at the customer's bank, which strengthens our credit protection, but gives the dealer the same opportunity by selling his merchandise before complete payment is required.

"Since it is becoming more and more customary for the dealer to receive from the consumer only 20 per cent. cash upon the installation of the machine and the rest in instalments, he made need help in financing, and this he can get from the Refrigerating Discount Corporation, a subsidiary of our company.

Personal Contact

"The greatest help I find in keeping the credit channels of our office clear is in personal contact with the dealers. The territory covered by our branch is not so large but that I can visit the dealers from time to time. If there are any signs of weakness, or perhaps if there are not, I look over the dealer's records and audit his books to see whether his operations, justify him in placing further orders. If we have made him a shipment, he should be able to show cash for sales made or the merchandise in the warehouse. If he seems to be overstocked, I may suggest that we take back some of the goods until his sales have caught up with his stock to prevent the loss of morale which comes from a too heavy investment. But, as far as possible, we thresh out these things before shipment is made.

"It is my thought always that credit must not interfere with sales. A risk on the financial side must be taken sometimes, when there is plenty of weight on the side of character.

"Contractors furnish a particular problem, for although terms to them are regularly 85 per cent. ten days after the month of installation, and the remaining 15 per cent. in thirty days, there may be endless excuses for delay in meeting these terms. Because of the extensive building operations that a contractor may be carrying on, some involving speculation, it is necessary before selling to a contractor or builder to check in to the finest point of his financial standing. Not only banking information but considerable real estate data must be collected, especially in the event that the customer is loath to relinquish

(Continued on page 29)

Perpetuating the System

McFadden - Pepper Bill Signed by the President

By Louis T. McFadden

Member of Congress from Pennsylvania

OF first importance to the continuance of stable banking is the indeterminate extension of the charters of National banks, provided for in the banking law signed by the President on February 25 and a corresponding provision for the charters of the Federal reserve banks. This will preclude the necessity of the banks of these two related systems from coming back to Congress periodically to ask for charter renewals or extensions.

Of perhaps equal importance is the provision amending Section 5200 of the Revised Statutes of the United States which defines the limit of the amount which a bank may lend to one individual, firm, or corporation. This amendment is covered by Section 10 of the bill and is worthy of the most careful study. By the Act just passed the basic limitation of 10 per cent. is made also to apply to the endorser of paper, while under the old law the 10 per cent. limitation was against the maker of the note only. Also by certain exceptions the basic limitation in the new law is liberalized and is much clearer in its definition of the kinds of paper that are and are not subject to the limitation. A complete analysis of all of the perfected provisions of this Section would consume some time as they are quite technical, and I can only repeat that they should be given close study by those interested.

So many other provisions of the Act are of prime importance to the general business of banking in its benefits to industry and commerce that it probably is not judicious to attempt to rate them as to precedence, because where a particular provision would be of special interest to one condition another provision would be of equal or more value to another.

Let me, therefore, briefly outline what, according to the tenor of comments received, appear to be of special value in providing for the continuance and stability of National banks.

In simplifying the methods of consolidation and conversion of State



CONGRESSMAN LOUIS T. MCFADDEN OF PENNSYLVANIA

When President Coolidge signed the McFadden-Pepper Banking Bill (H. R. 2), on February 25, 1927, there was ended one of the longest legislative fights ever waged in Congress. For three years this legislation was pending in the Congress of the United States and its sponsor, Louis T. McFadden, Chairman of the House Committee on Banking and Currency, had, for a number of years

before its introduction, been striving to perfect a measure which would place the National banks on a fair equality with the State banks.

The law as approved (Public No. 639) amends the National Bank Act and the Federal Reserve Act and is considered by leading authorities to be the most constructive piece of banking legislation since the Federal Reserve Act of 1913.

and National banks a decided step was taken to straighten out the heretofore roundabout course of procedure. A State bank may now consolidate directly with a National bank, whereas before it was necessary that the State bank first convert into a National bank and then consolidate with another National bank.

Of inestimable value also will be (a) the broader definition of the powers of National banks enabling them legally to deal in investment securities, to establish savings departments and to lend moneys upon real estate in greater amounts for a period of five years, instead of one year; (b) the lowering of the required capitalization; (c) the granting of the authority to acquire and hold real estate

for future bank sites; (d) the permission to smaller National banks in outlying districts of cities to organize with a capital of \$100,000 where the state law permits a capital of \$100,000 or less for State banks; and other minor regulatory provisions.

Now that the law has become effective there is no need to dwell on the so-called Hull amendments which caused, possibly more than any one other item, the long drawn out controversy and delay in the passage of the bill. Suffice it to say that the unfairness of these amendments was at last recognized and they were omitted from the bill.

The remaining branch banking features appear to be satisfactory; and

(Continued on page 32)

Federal Reserve Amendment

Answers Many Vital Banking Questions

By George Wharton Pepper

U. S. Senator for Pennsylvania



U. S. SENATOR GEORGE WHARTON PEPPER OF PENNSYLVANIA

THE following questions are among those to which the McFadden-Pepper Banking Bill supplies answers:—

The charters of the Federal Reserve Banks are due to expire in 1934. Is it not unwise to leave it in the power of a determined minority hereafter to block a bill introduced to extend them?

In many states state banks under the local law enjoy branch banking privileges. Should national banks in such states have similar privileges and should they not to this extent be relieved of a handicap in their competition with state institutions?

A state bank, in order to consolidate with a national bank, must first go through the process of conversion into a national bank. Is it not simpler to provide for direct consolidation without the intervening step?

In the administration of long-term or perpetual trusts, as well as in other ways, national banks are at a disadvantage because their charters have a 99 year limit. Should they not be made indeterminate, subject, of course, to forfeiture and to the power of Congress to repeal?

A national bank desires to take advantage of a chance to buy available

real estate to accommodate its future growth. At present it may not do this. Should not the law be liberalized in this particular?

Where the state law permits the organization of state banks with a capital of \$100,000 or less, ought it not to be possible for a national bank to be organized with a \$100,000 capital, at least in the outlying districts of cities with a population in excess of 50,000?

Ought not the existing practice of national banks to declare stock dividends be legalized and regulated?

Is it not reasonable to define the status of the chairman of the board of directors of a national bank?

Section 5200 of the Revised Statutes undertakes to define the amount of money which a national bank may lend to any one person. Shall the meaning of the Section be made clearer by restatement? Shall a limit be placed upon the discount of non-commercial paper by making the existing restriction apply against the maker as well as against the endorser? May there not be a legitimate enlargement of the power of national banks in the matter of loans upon the security of non-perishable staples stored in bonded warehouses

—always assuming an increase in value of the commodity collateral in proportion to the face amount of the additional loan?

Ought not the directors of a national bank to be authorized to permit a junior officer to certify reports to the Comptroller in the absence of the president and cashier? Ought not Federal Reserve banks to be authorized to re-discount for any member bank an amount of eligible paper equal to the amount which a national bank could lawfully discount for its own customers?

Ought not the existing time limit upon real estate loans to be raised from one to five years and ought not the aggregate of such loans to be limited to 25 per cent. of unimpaired surplus or to one-half of the bank's saving deposits?

Will it not tend to bring high priced national banks stocks within the reach of small purchasers if discretionary authority is given to national banks to issue of capital stock at a par of less than \$100?

All these questions are answered in the affirmative in the Bill which after passing both Houses has been signed by the President.

Motive of Opposition

A study of the determined and even desperate parliamentary opposition to the provision extending the Federal Reserve charters will make clear to readers of the CREDIT MONTHLY the importance of what has now been accomplished. There is a small group of men in Congress who hold that every measure intended to strengthen the national banking system and the Federal Reserve system will tend to postpone the realization of their dream of a nation-wide system of co-operative banks. They are opposed to strengthening what exists because of their eagerness to hasten an experimental substitute. With the approach of 1934 their determination to destroy the Federal Reserve system would have tended to

become more intense. Since the passage of the McFadden-Pepper Bill, it will require a majority in both Houses to take any step inimical either to the national banking system or to the Federal Reserve.

The division of sentiment between those who favor branch banking and those who oppose it is just as acute as the division between those who advocate colonial expansion and those who are determined anti-imperialists. The anti-branch banking group are so earnest in their conviction that branch banking is wrong in principle and dangerous in practice that they prefer to let national banks suffer a serious handicap in their competition with state banks rather than give any encouragement whatever to branch banking. By a long and slow process of negotiation and compromise, an agreement was reached that the anti-branch bankers would tolerate branch banking in the city in which the parent bank was located provided state institutions enjoyed branch banking privileges under the state law and provided that the advocates of branch banking would not insist upon branch banking on a state-wide scale.

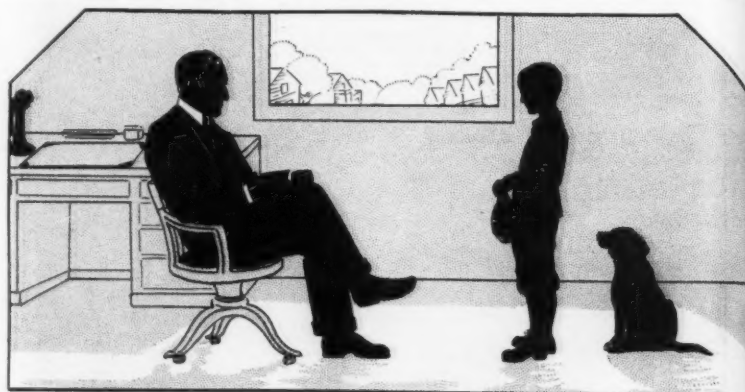
Hull Amendments Discarded

Minds having met on these propositions, a struggle ensued to determine whether the state law authorizing branches must be in effect on the date of the enactment of the McFadden-Pepper Bill or whether national banks might have city branches if the enabling state law were passed at a future date. The so-called Hull Amendments were an attempt to "freeze" the situation as of the date of the McFadden-Pepper Bill. The principle embodied in them was finally rejected in both Houses because it involved an attempt on the part of Congress to determine the future policy of those states which at present have no branch banking laws.

More interesting and even more important than the provisions of the bill is the story of the three-years' battle for its enactment. This is not the place in which to tell the story in detail. Suffice it to say that the battlefields have included not merely the Senate, the House and the Conference room, but the conventions of the American Bankers Association and of the National Association of Credit Men and even the meetings of the Federal Reserve Board itself. The extension of the Federal Reserve charters was not provided for

in the bill as passed by the House. It was added by amendment in the Senate. The Hull Amendments were House amendments which the Senate rejected. In the final stage of the struggle the bill could never have been brought to a vote without cloture; and cloture would have been impossible without the now famous "gentleman's agreement" between the friends of the McFadden-Pepper and the

McNary-Haugen Bill, which gave to both measures a chance for life. Through presidential approval the one survived while through presidential disapproval the other perished. But the opportunity for self-expression afforded by the agreement not only gave the country the Banking Bill but prevented a determined filibuster and averted an extra session of Congress.



Boy of Twelve Obtains Credit **Gives Note to Bank for Two Dollars at 6%**

THREE dollars and an idea were the entire capital of Otto Szanto, twelve-year old business man and financier of West Orange, N. J. On this slender basis, he managed to float a bank loan, open negotiations for a dog harness and also achieve a great deal of newspaper publicity as well.

Otto had once seen, in the country, a cart containing vegetables and drawn by a goat. This struck him as a good business idea that would also give him and his schoolmate friends of West Orange a lot of fun. He determined that sometime he would have just such a cart, drawn not by a goat (for Otto is not especially fond of goats) but by a dog. He and his friends held a conference and it was agreed that if Otto would secure the necessary harness, the other two boys would get the cart, somehow. One of the boys already had a dog—part St. Bernard. Then they would all be able to start a fine business, delivering packages for the chain grocery stores.

Otto saved his money, putting it away safely in a small metal bank supplied by the West Orange Trust Company. Finally the bank seemed to be almost full, and Otto took it to

the Trust Company, hoping earnestly that there would be enough money in it to pay for the dog harness which he had seen in a Sears-Roebuck mail order catalogue, and had set his heart upon. The cashier opened the bank and counted the pennies and nickels which it contained, amounting to \$3.29. That wasn't enough to buy the harness; and after a little thought Otto asked if he could see the President of the bank. To the president, Judge Walter D. Van Riper, Otto made a simple business proposition—that the bank should make him a loan of \$2, which was all that he needed to be able to buy the harness. Upon hearing Otto's reasons for wanting the loan, and discovering that he was aware that he would have to sign a note at 6 per cent. interest, Judge Van Riper instructed the cashier to let Otto have the \$2 and to make out a note for six months at six per cent. per annum. The security was "initiative, confidence, and personality."

There was praise for Otto's financial talent from many quarters, with the exception of his father, Julius Szanto, a carpenter, who does not approve of obtaining credit in that

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The Good Scout

"Be Prepared" Is His and Credit Manager's Motto

By Varius Sands

IS the credit manager a good scout? Except for an occasional disgruntled salesman who has not come into the right kind of contact with the credit department, or a debtor who has unsuccessfully tried "to get away with something," most people find that the credit manager is a good scout. Even in the technical sense, and spelling it with a capital letter, the credit manager has to have many qualities analogous to those of the good scout.

The great organization, the Boy Scouts of America, with its national membership of over half a million boys, has for its motto, "Be prepared." That is the essence of the credit manager's vocation. The credit manager is always prepared, on behalf of his firm, for any credit emergency. He has many resources to draw upon in making credit safe: Ledger experience, references, credit department reporters, the salesman's report, the commercial financial rating, banks and commercial houses, his professional magazine, the CREDIT MONTHLY, trade journals and newspapers, the information within the covers of the current year's issue of the Credit Man's Diary and Manual of Commercial Laws, the correspondence of the credit department, corporation manuals and directories, attorneys and Court records, and above all, the Credit Interchange Bureau report on the actual former credit transactions of a debtor merchant. This, coupled with the trained mind of the credit executive, capable of forming a balanced judgment upon any credit transaction, means that he will always "be prepared."

The Boy Scouts also have a slogan, "Do a good turn daily." It is safe to say that every credit manager has—and uses—his many opportunities to do more than one "good turn" daily, in the course of his work. An evidence of this is the increasing co-operation between credit managers themselves and between credit managers and their customers.

There are twelve Scout laws, and nearly all of them are unwritten laws

to the average credit manager. For the average credit manager is—

1. TRUSTWORTHY to the best interests of his firm in all of his dealings with other concerns.
2. LOYAL to his firm, his credit principles and the ethics of honest business.
3. HELPFUL to all of his customers, not merely as a matter of routine, but with personal attention and advice to any customer whose credit is becoming impaired, and

whose business is slipping. Before refusing credit accommodation, he does his best to help the customer in question to remedy the unhealthy business conditions.

4. FRIENDLY in all his business relations with his customers, with the other department heads of his own concern, and with fellow members of the credit fraternity.

5. COURTEOUS in his contacts, whether personal, or through correspondence. His collection letters, especially, although always firm and forceful, are unfailingly courteous.

6. KIND in his attitude to customers and business associates and other credit managers.

7. OBEDIENT to the best credit and business principles and to the laws of his State and Nation.

8. CHEERFUL, because he knows that, with cheerfulness as the prevailing note of the credit department, he will not only enjoy his work more but do it better.

9. THRIFTY in the management of his department to produce the most efficient results with the least expenditure. This means that he knows how to employ and utilize personnel, and how to select machinery and services that are genuinely labor-saving.

10. BRAVE in his refusal at all times to compromise his credit principles and business principles and those of his firm for the sake of keeping the good-will of a few accounts who insist upon special privileges. He takes a brave stand on the problem of unfair discount deductions.

11. CLEAN in adhering to an ideal of business based on honesty and fairness to all.

12. REVERENT in his attitude towards American business ethics.

From a Leader in Two Great Organizations

CURTIS R. BURNETT, president of the Newark, N. J., Council of the Boy Scouts of America and past president of the National Association of Credit Men, commenting on Mr. Sands' article, says, "This is a striking parallel drawn between Scouting and Credit work."

"There is another reason why the Credit Manager may well be interested in the Boy Scout Movement: If every debtor merchant had been a Boy Scout in his youth, the credit fraternity would have far less trouble to contend with."

"Justice Cropsey, President of the Brooklyn Council, Boy Scouts of America, has said, 'If every boy were a Boy Scout, soon there would be no crime. Scouting promotes honor and fair play.' President Coolidge said last year, 'If every boy in the United States between the ages of 12 and 17 could be placed under the wholesome influences of the scout program and would live up to the scout oath and rules, we should hear fewer pessimistic words as to the future of our Nation.'"

The Historic Event

Organizing the N. A. C. M. in Toledo, June, 1896

By J. H. Tregoe

Executive Manager, National Association of Credit Men

PORTENTOUS events have flown from meetings where human foresight could not penetrate the future and appreciate the true significance of the gathering. When the representatives of eleven States gathered in Philadelphia in 1787 to consider the state of the Confederacy and to remedy defects in the intercourse and trade of the States with one another, there was no idea among the men gathered together at this meeting that out of it would come a Constitution that would bear the weight of ages and lead a humble people into superb magnificence.

When in protest against the English Stamp Tax Act delegates of the Colonies met in New York City in 1765 there was not the slightest appreciation that this gathering would teach the Colonies to combine for their common weal, and make easy the calling together of Congresses when the break occurred with the mother country.

By the same token, who could have foretold that out of a gathering of a few men in Toledo during June, 1896, there would come an organization whose stabilizing and forward-looking principles would give to credit a workable technique, and show our people how business could be conducted in ways that were extensive and at the same time safe?

Interest in the organizing of Credit Men along National lines had flowed like a small rivulet since 1893, but nowhere was there discernible a spontaneous outburst for the movement. A few farsighted men had realized the practical value of organization, and at a time when co-operation was not a word to conjure with, as it is at present.

Views as to credit and its uses differed widely. There was not that unanimity of sentiment and operation that has gradually evolved as men have learned to understand the intrinsic power of organization for the credit fraternity.

We venture the opinion that a broader foundation might have been laid for the National Association of

Credit Men had there been a spontaneity of sentiment for the organization, but as some delegates to the Stamp Act Congress and to the Constitutional Convention were more or less doubtful of the issues and their feet were difficult to warm, so in approaching the historic event of 1896 there were many who bore the name of Thomas, and the interrogation mark could be found on every hand.

However, the die was cast, and well it was. The organizers wrought better than they knew, and to the commerce of this great country of ours was no finer gift given than the organizing of the credit fraternity, for the cultivation of professional credit management and an adaptation of our credit facilities to a more extensive trade.

Toledo, Convention City

Toledo took the initiative and its Chamber of Commerce, inspired by the interest of B. G. McMechen, credit manager of the Woolson Spice Company, issued a general invitation for the holding of a Convention beginning June 23, 1896.

The meeting was called to order by T. N. Elliott, secretary of the Toledo Chamber of Commerce, and Mr. McMechen, the man behind the guns, was elected temporary chairman.

We have recited in a former chapter of this history of a great movement the activities of W. H. Preston of Sioux City, who had since the World's Fair Congress of 1893 advocated strongly the organization of a national association of credit men. In attendance at the Toledo Convention Mr. Preston was discovered, and naturally he was one of the foremost figures present.

I did not attend this Convention, but Baltimore, my native city, sent two delegates, one of whom, Samuel Rosenthal, was prominent in the activities of the Toledo Convention and became later the first president of the Baltimore Association.

Present also were several sturdy men in credit work, whom I had the privilege of meeting later; and for

real quality, the Toledo Convention has never had a superior in the Association's annals. Prominent was A. C. Case, treasurer of the Carnegie Steel Company, Pittsburgh, whose virility of ideas and whose activity made him a distinguished figure. Walter S. Campbell of Detroit, a man of sweet spirit and earnest purpose, was a firm advocate of the organization at this Convention.

James G. Cannon, a man of fine stature and of vision in the banking field, was found in the audience, and some of the most promising features of the Association's early years were attributable to this splendid man.

T. H. Green of Sioux City, with a strong vision of the future, and officially identified with the early days of the Association, was also seated in the audience and ready to play his part.

F. R. Boocock of New York was there, and upon this gentleman fell a little later the responsibility of the National Secretary's position.

John H. Wiles of Kansas City, now one of the leaders of his industry, was there as an advocate of organized credit work. To his strength of purpose the Association is very much indebted.

Daniel Murphy of Rochester, one of the sturdiest figures in the Association's entire history, was present. His abilities in debate will long be remembered by the men who figured in the earliest Conventions.

George R. Barclay of St. Louis was in his place, eager for an organization in which he had complete faith, and in the annals of which he figured with fine earnestness and loyalty.

W. A. Hopple of Cincinnati answered the call. His devotion to the Association is still one of his most outstanding ideals.

H. B. Gillespie, first president of the Detroit Association, answered the call also. His interest in the Association has never abated, though his credit work has ceased.

I cannot mention by name all the founders of our organization, who were present at the Toledo Convention in response to the call, confident



FIRST OFFICERS OF THE N. A. C. M.

From left to right:—William H. Preston, Sioux City, first President of the National Association of Credit Men, 1896 and 1897; M. E. Bannin, New York City, first Vice-President, 1896; Frederick R. Boocock, New York City, first permanent Secretary, 1896; T. Homer Green, Sioux City, first Treasurer, 1896 to 1901.

that organization was needed to give more efficiency to credit and more stability to business. It was not a large but an exceedingly earnest gathering; and but for their earnestness the Association's first underpinnings would not have been driven deep.

The cordial formalities had to be disposed of first. After the temporary chairman, Mr. McMechen, had welcomed the delegates, Toledo's Mayor, Hon. Guy G. Major, presented the city's welcome. To these addresses of the temporary chairman and the Mayor, M. E. Bannin of New York responded for the East, T. J. Ferguson of New Orleans for the South, and W. H. Taylor of Kansas City for the West.

Proceeding to the election of permanent officers for the Convention, W. H. Preston was elected chairman; M. E. Bannin vice-chairman, and N. D. Elliott secretary.

On taking the chair, Mr. Preston made a very apt address, which reflected fully the extreme care with which he had been studying credits and the need of their practical organization. He referred to the business failures for the preceding three months, which were 4512 in number. (Compare this with our present record of less than 22,000 failures annually, although business in the three decades has quintupled.)

Apostles of Reform

The real gist of the existing situation was disclosed by Mr. Preston when in his address he said, "We have been afraid to trust the Credit Man next door, thinking he would not be honest in giving us information concerning our applicant for credit, and then have been surprised to learn he had the same opinion of us. . . . In brief, we have been disciples of negation rather than apostles of reform."

Following Mr. Preston, H. F. Gil-lead, president of the New Orleans

Association, addressed the Convention, and emphasized the need of good commercial laws that would protect credits and restrain fraud. He recommended, in his address, several laws that have since become model laws of the National Association.

In anticipation of the Convention, a National Executive Committee had been organized for the purpose of taking care of certain expenses incidental to the Convention's proceedings, and at a meeting of this Committee on the evening before the Convention convened, certain rules and regulations were adopted for the governance of the Convention. The first qualification for participation was, "Any reputable Manager, Officer, Credit Man or representative of a jobbing or manufacturing concern; cashier or other officer of a banking institution doing business in the United States or Canada shall be eligible to vote in the Convention." It is interesting to note from this regulation that there was some belief of the organization becoming international in scope.

The formality of examining credentials was gone through at the opening session, and at the opening of the afternoon session Mr. Preston received a silver water set, the gift of a law firm of Fort Worth, Tex.

W. S. Campbell of Detroit made an address on "Co-operation and Confidence." After this came the high spot of the Convention, as I realize even from this distance, the address offered by James G. Cannon, on "Credit, Credit Men and Creditors."

We have referred in an earlier part of this sketch to the sturdiness of Mr. Cannon's character and his militancy in credit organization. His bank, the Fourth National Bank of New York City, had, I believe, the first organized credit department of any banking institution in the country. The address offered by Mr.

Cannon at the Convention was very impressive, and reads like an epic. He quoted a writer who had declared that "credit is to business what mortar is to a wall. It is the adhesive material with which commerce is cemented."

He furthermore said, "Credit never knocks at the door of the indolent; never lingers under the shadow of indecision; never smiles on good intentions that are barren of results."

The qualifications of the Credit Man were artistically developed by Mr. Cannon in his address, and they still hold good, barring, of course, the modifications that usually attend progress over a long period of years. He brought out the importance of the signed statement in credit transactions, and the carefulness with which the financial statement should be analyzed.

"Cordial Co-operation"

In concluding his address, Mr. Cannon said, "I cannot refrain from urging upon Credit Men generally the advisability of pursuing a policy of cordial co-operation with each other."

Following Mr. Cannon in the list of Convention speakers, Samuel Rosenthal of Baltimore offered an address on "The Relation of Debtors and Credit Givers." In this address Mr. Rosenthal advocated a thorough organization of the Credit Men of the country; the adoption of a systematic plan of co-operation among the members of the organization, such as would lead to the interchange of free but confidential information; for their benefit the adoption of steps that would secure legislation to prevent frauds; securing the passage by Congress of a National Banruptcy Act.

C. F. Laurent of New Orleans followed Mr. Rosenthal in addressing

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Making Bad Debts Good

In Spite of Compromise Settlement 13 Years Ago

By O. F. Bishop

IT is quite likely that a majority of men are honest within the terms of the law, but every once in a while a man appears who is honest to the final degree. Almost every day credit managers come in contact with the misfortune of an honest bankrupt. A settlement is effected, the loss is accepted by his creditors as part of the cost of doing business and the debtor goes his way, often to engage again in business with honor. No doubt it is a good thing that this philosophy of business has been introduced into trade. It has resulted in greater commercial activity and freedom to do business, regardless of the fact that there are and always will be some persons who will abuse this freedom.

David V. Picker of New York went through these stages of business failure, settled with his creditors and engaged again in business. He is now paying back in full the amount which he was unable to pay at the time of his failure in business. But, more than that, he has added fifty per cent. to the amount of the bad debts he had brought to his creditors.

These debts had no legal status and there was nothing that obliged Mr. Picker to pay his indebtedness in full except his desire to have his slate wiped clean.

In 1913 there was a strike in the clothing trade in New York City. Mr. Picker conducted at this time a suit manufacturing concern that produced a net profit each year of between \$10,000 and \$20,000. He sold his output on credit to jobbers and wholesalers; and when the strike was well under way, he was unable to make deliveries on advance orders. Some of the jobbers became disgruntled when they could not obtain the suits they had ordered, and refused to pay for the merchandise they had already received. After strenuous efforts to collect all his accounts receivable Mr. Picker discovered that he did not have sufficient funds to meet his obligations and thereupon appealed to his creditors. There



DAVID V. PICKER

were about forty-five of them, nearly thirty-five of whom were New York concerns. Among the creditors are such concerns as Viotor & Achelis, L. F. Dommerich & Co., H. A. Caesar & Co., Charles S. & William Spiegelberg and a number of other large commission houses in the city.

Many New York members of the National Association of Credit Men in the textile field will recall the case, particularly if, at the end of last year they received one of Mr. Picker's checks in payment of one of his thirteen-year-old debts plus the fifty per cent. interest.

At the time when Mr. Picker appealed to his creditors, some of them insisted upon an involuntary bankruptcy, but a majority prevailed and a compromise settlement was agreed to, as it was shown that in the long run the creditors would be likely to receive more cents on the dollar than if bankruptcy were resorted to. In fact Mr. Picker agreed to pay fifty cents on the dollar within a few months. He too was anxious to avoid bankruptcy.

To make good his promise, Mr. Picker needed \$50,000. He soon made up his mind that the exhibition phase of the motion picture business was a field in which he could recoup his fortunes and pay his debts. This venture required capital; and to lease the motion picture theatre he had picked out as a good location he needed \$12,000.

A loan on his life insurance policy supplied Mr. Picker with the funds he needed and in May, 1914, he opened a theatre in the Bronx section of New York City with the basic idea of obtaining the very best films possible, thus drawing audiences from other theatres where inferior two-reel pictures were exhibited to audiences that were apparently easy to please.

In seven months the service idea proved to be so effective that Mr. Picker was in a position to make a new loan and pay off the \$50,000 which were half of his total liabilities.

Success for Mr. Picker was so great in his first theatrical project that he was able to expand by carefully combing the field to select well-located theatres. It was not long before he had established a chain of motion picture theatres. Nothing succeeds like success. He became associated with Marcus Loew, who probably owns and operates more motion picture theatres throughout the United States than any man.

Mr. Picker today is exercising on a large scale the talent he showed when he first entered the motion picture business. He now selects theatre locations for the Loew organization in large and small cities throughout the whole country.

When Mr. Picker failed in business his accountant was Leo Lewison, who also entered into Mr. Picker's first motion picture venture. It was Mr. Lewison who supervised the work of keeping track of the Picker creditors and who sent them last Christmas their checks totalling \$30,000, which wiped out all except two of Mr. Picker's debts. These are the original \$12,000 that Mr. Picker borrowed to regain his business status and \$56.00 due to one creditor who has not been found. For about ten years Mr. Picker has been paying off his debts, but it was not until last year that he found himself in a position to make any really substantial payments. In August of last

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"The Silver Anniversary"

Tentative Program 32nd Annual N. A. C. M. Convention

Louisville, June 6-10



LOUISVILLE SCENES

"THE SILVER ANNIVERSARY" is the name that has been given to the Thirty-second Annual Convention of the National Association of Credit Men to be held in Louisville June 6-10, 1927, because just twenty-five years before that date, also at Louisville, J. H. Tregoe, now Executive Manager of the N. A. C. M., was installed as Association President.

The convention program, in tentative form, is as follows:

Monday Morning, June 6

2:00. Musical program.
2:30. The Convention will be called to order by J. H. Scales, Belknap Hardware & Mfg. Co., Louisville, Chairman of the General Convention Committee and former Director of the N. A. C. M.

After the Invocation, the presidential gavel presented to W. H. Pouch, Concrete Steel Co., New York, President of the N. A. C. M. After this, various announcements will be made.

2:45. Greetings to Convention extended by Gov. Wm. J. Fields and Mayor Arthur Will, and Pres. W. Franck Kimbel, (Ballard & Ballard Co.,) of Louisville Association.

3:30. National Director W. C. Hanson, E. G. Shafer Co., Washington, D. C., will respond to the welcome on behalf of the National Association.

3:40. The delegates who were at the Louisville Convention in 1902 will be introduced.

3:50. Address.
4:30. Address, "A Glance Backward—A Look Forward" by J. H. Tregoe, Executive Manager of the N. A. C. M.
5:00. Adjournment.

Monday Evening, June 6

In accordance with a long established custom of the Association, the President's reception and ball, arranged for by the Louisville Convention Committee, will take place this evening.

Tuesday Morning, June 7

7:45. The Women Credit Managers

will attend a breakfast, presided over by Miss L. M. Guth, Plaza Music Co., N. Y., Chairman of the Eastern Division Women Credit Managers Committee. There will be several brief extemporaneous addresses.

9:15. Community singing.

9:30. The Convention will be called to order by the President, and there will be an Invocation.

9:35. Communications.

9:45. Report of President W. H. Pouch, New York.

10:00. Address, "Credit in Commerce," by National Director H. H. Heimann, The Kawneer Co., Niles, Mich.

10:20. Report of the Banking and Currency Committee. Chairman Montford Jones, University of Pittsburgh, Pa., will present the declarations of the Committee.

10:30. Address, M. A. Traylor, First Trade & Savings Bank, Chicago, President of the American Bankers' Association.

Adjustment Bureau Session

11:10. Adjustment Bureau Department. Report of Executive Committee and its declarations, presented by Chairman A. E. Fisher, American Bed Co., St. Louis.

11:20. "Difficulties Encountered by the Adjustment Bureau Department in Its Work," E. Paul Phillips, Manager Adjustment Bureau Department.

11:30. "How Creditors Fail to Protect Themselves," S. J. Schneider, Manager Adjustment Bureau, Louisville Association.

11:40. "What Well Conducted Bureaus Can Accomplish in Saving Assets," Thos. O. Scheckell, Manager Adjustment Bureau, Inter-Mountain Association of Credit Men, Salt Lake City.

11:50. "Common Sense in Liquidation of Difficult Receivables," Past Vice-President A. J. Peoples, Detroit Copper & Brass Rolling Mills, Detroit.

12:10. General discussion, "Problems of the Adjustment Bureau Department," conducted by National Director W. E. Tarlton, Brown Shoe Co., St. Louis.

12:45. Adjournment.

Tuesday Afternoon—Trade Groups

A feature of steadily growing importance of the Annual Convention is the Trade Groups, which will be more numerous this year than ever before. The Groups whose chairmen have already been determined upon are as follows:

1. Boots-Shoes—Chairman A. T. Woodward, United States Shoe Co., Cincinnati.

4. Confectionery—William Dalchow, American Chicle Co., Long Island City, N. Y.

5. Drugs, Chemicals and Allied Lines—J. E. Stiltz, Kiefer-Stewart Co., Indianapolis.

6. Dry Goods, Notions and Allied Lines—Geo. R. Brachey, Carter Dry Goods Co., Louisville.

7. Electrical and Radio Supplies—F. A. Ferguson, Westinghouse Elec. & Mfg. Co., St. Louis.

8. Furniture—Geo. Spencer, Spencer-Duffy Furn. Co., Grand Rapids.



BROWN HOTEL, LOUISVILLE CONVENTION HEADQUARTERS

9. Groceries (Manufacturers)—J. F. McGrath, Loose-Wiles Biscuit Co., Minneapolis.

10. Groceries (Wholesalers and Jobbers)—S. C. Dick, Stone-Ordean-Wells Co., Duluth.

11. Hardware, Auto Supplies and Allied Lines—T. M. Nesbitt, Moore-Handley Hardware Co., Birmingham.

12. Heating and Plumbing—A. R. Hanson, L. O. Koven & Bro., Inc., Jersey City.

13. Implements, Vehicles and Allied Lines—L. D. Duncan, B. F. Avery & Son, Louisville.

14. Iron and Steel—Herman Hurd, Republic Iron & Steel Co., Youngstown.

15. Jewelry—E. C. Brunst, Gruen Watch Co., Cincinnati.

16. Newspapers—J. C. Rugenstein, Indianapolis News, Indianapolis.

18. Paper Supplies and Allied Lines—C. G. Hess, Lawrence Paper Mfr. Co., Lawrence, Kans.

19. Petroleum—M. D. Creel, Marland Refining Co., Chicago.

20. Stationery, School and Office Equipment and Supplies, Manufacturers' Division—R. G. Echols, American Co., Sandusky, Ohio.

21. Cloaks and Suits, and Dresses—M. J. Fassler, Silver Fox Co., New York.

Chairmen for the following Groups have not yet been appointed: Building Materials, Clothing, Caps and Allied Lines; and Paints and Varnish.

Several other Groups, not listed above, will hold conferences at this Convention. It is hoped that the complete list, with the exact meeting-place in Louisville of each group, will be available for publication in the May CREDIT MONTHLY. Information may be had on the Trade Groups from Dr. Frank A. Fall, N. A. C. M., One Park Avenue, N. Y.

Every member of the Association who is planning to attend the Trade Group Conferences is urged to communicate immediately with the Chairman of his group and make suggestions concerning speakers and topics for discussion.

The Bankers' Group Meeting will be held under the auspices of the Robert Morris Associates, organized by banking credit managers who are members of the National Association of Credit Men. J. F. Craddock, Continental and Commercial National Bank, Chicago, president of the Robert Morris Associates, will be in the chair. The three speeches at this session will be as follows:

"The Effect of Increased Freight Movement Efficiency on Inventories," by Donald D. Conn, Manager, Car Service Division, American Railway Association.

"The Importance of Commercial Geography and the Study of Markets in Relation to Publicity and Credit," by A. Heath Onthank, Director of Research, George Harrison Phelps, Inc., National Advertising, Detroit. Mr. Onthank has been a member of the Associates in the past, representing the National Shawmut Bank, Boston, and for several years has been in charge of the Department of Domestic Markets under the Department of Commerce in Washington.

"The Unstable Dollar as a Factor in the Credit Man's Problem," by Dr. Irving Fisher, Professor of Economics, Yale University.

The Trade Group Conferences that do not conclude their work this afternoon will re-convene Thursday afternoon.

Tuesday Evening, June 7

8:00—Community Singing and instrumental music. Presentation of one of the contesting playlets entitled "Men of Steal,"

offered by members of the Western Division.

9:00—Illustrated Lecture by Harrie Grant Moore, Past President of the National Association of Credit Men, on "Africa and Her People." The slides presented by Mr. Moore are from photographs taken by himself. He has given the lecture with great success in many cities. At the conclusion of the lecture there will be an Informal Dance.

Wednesday Morning, June 8

9:15—Community Singing.

9:30—Convention will be called to order by the President. Invocation.

9:35—Communications.

9:40—Report of the Executive Manager, Secretary, and Treasurer, New York.

10:20—Report of Business Literature Committee with Declarations offered by Chairman David R. Carson, Central National Bank, Philadelphia.

Brief report by Rodman Gilder, editor of the CREDIT MONTHLY, followed by a discussion of the Business Literature Department, led by J. T. Brown, Jr., Haines, Jones & Cadbury, 1136 Ridge Avenue, Philadelphia, with a discussion on how "Our Professional Magazine" may be improved.

10:30—Address by O. H. Cheney, American Exchange Irving Trust Co., New York.

11:00—Presentation of B. B. Tregoe, Manager, Western Division in charge of the Credit Protection Department, Western Division, and of J. E. Byrne, Director-Counsel, Central Division, Credit Protection Department.

Address by Maxwell S. Mattuck, Director-Counsel, Eastern Division Credit Protection Department, "Dealing with the" (Continued on page 39)



Scenes in Mammoth Cave, Kentucky. This marvel of nature will be viewed by many of the Convention delegates on June 11, the day following the N. A. C. M. Convention.

Preparations for Louisville Convention

At Louisville and went over the preparations that had been made there for handling the N. A. C. M. Convention, over which I shall have the honor to preside, on June 6-10.

It was a great pleasure to find how far along all the preparations had been carried. I do not hesitate to prophesy that the delegates from our 144 local Associations of Credit Men will be amply looked after in every respect—hotel accommodations, garage accommodations, business sessions of the Convention, and entertainment. The fine, representative committee, headed by J. H. Scales, has anticipated our needs and desires.

No member of the credit fraternity will make a mistake in going to Louisville for the Convention in June.

W. H. POUCH.

Around the Circle

Eight Weeks' Inspection Trip From Coast to Coast

By President William H. Pouch of the N.A.C.M.

President, Concrete Steel Co., New York.



W. H. POUCH

NO one can take a big swing through the country and visit local associations of credit men without having a fresh realization of the great work that has been done by the National Association of Credit Men.

Even a pessimist, taking such a trip, would become an optimist on the Association and on the United States of America. The local associations vary greatly in size and in the amount of work they are doing, but in every community that I visited, it was clear how important for the business of the United States are the efforts of the National Association of Credit Men in its major lines of endeavor.

Legislation. The bill amending last year the Federal Bankruptcy Act, and the McFadden-Pepper bill, which virtually gives perpetual charters to the Federal Reserve Banks, might not have been enacted but for the concerted efforts of the credit fraternity in all parts of the country.

Credit Interchange. The Central Credit Interchange Bureau set up at St. Louis as a pool of information on nearly two million debtor merchants, together with the many local credit interchange bureaus which provide the most valuable information

possible to credit managers, these are in themselves enough to warrant the existence of the National Association.

Adjustment Bureaus. The adjustment bureaus, in various communities, affiliated with the National Association, are handling in clean-cut fashion and at a minimum cost, the affairs of merchants who frequently, through no fault of their own, are in difficulties.

Credit Protection Fund. Aggressive and skillful work is being done by the Credit Protection Department of the National Association of Credit Men in pursuing the credit crook and enabling the authorities to put him out of business and to punish him. This work is having a deterrent effect upon the would-be crook and his crooked legal advisor which has saved the business of the entire country an incalculable, but without doubt, an enormous sum. The property recovered for creditors amounts to almost as much as has been expended to date by the Credit Protection Department.

Education and Publications. The National Institute of Credit, established by the National Association of Credit Men, and the various publications of the Association, as well as the publicity that appears continuously in newspapers and magazines, carry sound credit doctrine into every corner of the business world.

The first Association city visited

by Mrs. Pouch and myself on our eight-weeks' trip was Chicago, in which city is the second largest association of credit men. Here we found a campaign on for further subscriptions to the Credit Protection Fund. The next call was at Milwaukee. After visiting that city and Omaha we reached Denver, where National Vice-President Rock's fine influence upon the local association was easily discerned.

At Salt Lake, as at Denver, there is a sense of isolation, not only from the viewpoint of the Association, but from a business point of view, which is not felt in Eastern communities where there is less distance between the cities. At Salt Lake we were received by the head of the Mormon Church. We learned that this section is expecting a good year in its underlying crop, the sugar beet.

We found in Seattle, Tacoma and Portland the prevailing industry, lumber, in pretty good shape and it was interesting to note the large number of local concerns manufacturing furniture.

At Portland was held the Tri-State Conference, one of the most successful credit gatherings that I ever attended. Indeed, it might almost be compared to an annual convention of the Association. The registration was about 400, with 700 at the banquet.

B. B. Tregoe, Western Division
(Continued on page 42)

Can You Answer These?

Fifty Questions for Credit Managers

By Regius Patoff

Professor of Triviology, University of Rien

MY colleague, Dr. Frank A. Fall, Literary Editor of the CREDIT MONTHLY, keeps track of all the new books on business and economics. Every month he supplies excellent reports on five or six such books that seem most valuable to credit managers.

But it may be that he will neglect to review a book, published a few weeks ago by the Viking Press, New York, which is causing hundreds of thousands of people to go tgpxfskjzi (Cheko-Jugovian for insane). The title is "Ask Me Another—The Question Book". It is a compilation by Justin Spafford and Julian Esty, of 30 quizzes, each consisting of 50 general-information questions, and 10 special quizzes on American History, the Arts, Current Politics, Sports, European History, Literature, the Bible, Mythology, Geography and Science.

Before they went to press, the compilers took their quizzes to various writers, artists and educators whose scores, (on a basis of 2 for each of the 50 questions correctly answered) are printed in the book. The correct answers are also given—at the back of the volume.

Thus, by pitting yourself against the "bogey" scores, you can play solitaire with the book, or make it a competitive game among friends.

I naturally hoped to find among the special quizzes one on Credit, a subject that has long interested me. But the book is lacking in this respect. I have therefore prepared the fifty questions herewith, which I intend to offer to the publisher of the book for insertion in later editions.

The Fifty Questions

1. In what year was the N. A. C. M. founded?
2. In what year was the Federal Reserve Law enacted?
3. What is a house collection agency?
4. What are the three C's of credit?

Can You Score 100?

WITHOUT research, except in the files of your memory, how many of these questions can you answer correctly in half an hour?

Dr. Patoff, care of the "Credit Monthly," will advise you what your score is if he hears from you before May 1, 1927.

5. What are the rights of creditors in respect to married women conducting a business in Florida?

6. What full-time executive of the N. A. C. M. was once its president?

7. What is an "approved" Adjustment Bureau of the N. A. C. M.?

8. What are your rights if you filed your claim within six months as provided in the amended Bankruptcy Act, but after the money paid to the Court by the debtor, (in accordance with the terms of the composition) had been distributed by the distributing officer?

9. By whom may bankruptcy proceedings be started?

10. How are proofs of debt executed when the claimant is a partnership?

11. Is it possible to make a series of notes in such language as to make all of them due if one is in default?

12. What are the names and cities of the two presidents of the N. A. C. M. who preceded President Pouch?

13. What are the names of two companies that have advertised consistently in the CREDIT MONTHLY during the past two years?

14. Who appoints a trustee in the case of bankrupt partnerships?

15. Are the negotiable instrument laws of the various States fundamentally the same?

16. In what city has the Central Credit Interchange Bureau accumulated the live records of 1,900,000

debtor merchants, available to users of the service?

17. Do State exemption laws control in bankruptcy proceedings?

18. What is the F. C. I. B. of the N. A. C. M.?

19. What exemptions are allowed to bankrupts?

20. Should trade acceptances be renewed like promissory notes?

21. Is the judicious expenditure of the Credit Protection Fund having a deterrent effect on the credit crook?

22. In what year did the CREDIT MONTHLY first appear in its present form?

23. When, and on what days, is the 1927 Convention of the N. A. C. M. to be held?

24. Can a farmer go into voluntary bankruptcy?

25. When may a bankrupt offer terms of composition to his creditors?

26. Do trade acceptances bear interest?

27. Can a corporation, under any conditions serve as trustee in bankruptcy?

28. In what year was the Bankruptcy Law last amended?

29. Why is the 1927 N. A. C. M. Convention called a Silver Anniversary Convention?

30. Can an involuntary petition in bankruptcy be filed against a farmer?

31. In bankruptcy, how long a time has a creditor in which to file a proof of any claim?

32. In what manual are to be found the full text of the Bankruptcy Law, a list of Referees in Bankruptcy?

33. When a company joins a local Association of Credit Men, does it automatically become a member of the National Association of Credit Men?

34. What are the names (a) the Director of Education and Research, (b) the Eastern Division Manager, (c) the Central Division Manager, (d) the Western Division Manager of the N. A. C. M.

35. Are promissory notes made payable after more than 90 days re-

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From *Banking Through the Ages*, by Noble Foster Hoggson, © 1926, published by Dodd, Mead & Co., N. Y.

BARTER BEFORE THE INVENTION OF MONEY

A Trading Nation's Downfall

Phoenicians, Misusing Credit, Destroyed Themselves

By Alphonse Tonietti

PRE-EMINENTLY "the middlemen of the ancient world," says Professor Guido Bigoni, an authority on ancient commerce, "the Phoenicians took recourse to credit or at least limited the transportation of precious metals. The terra cotta tablets that have been discovered prove that between the Ninth and Seventh Centuries B. C. the word credit was commonly used in Assyria where the important banking house of Egibi & Sons existed."

The Phoenicians were an offshoot of the great Semitic tribe and their country extended along the Syrian sea-coast, including such well-known towns as Beirut, Sidon, Tyre and Acre. We hear of the Phoenicians as early as the Fifteenth Century B. C. coming into contact with the great powers of Egypt and Assyria. In the Tenth Century before our era Hiram, King of Tyre, was commissioned by Solomon to furnish him

with cedar-wood and artisans in the construction of the great Temple at Jerusalem (1 Kings 1: 1 and following).

Their maritime success encouraged the Phoenicians to found colonies all around the Mediterranean, a fact which brought them into keen rivalry with the Greek seafarers. Phoenician settlements sprang up in Cyprus, Malta, Sicily and Sardinia; on the African coast the triumph of these navigators culminated in the establishment of the great commercial city of Carthage; and in Europe Cadiz and Marseilles became centers of Phoenician trade. They pursued their commercial activity with such resourcefulness and aggression that Rome had to conclude various treaties with their kings in order to protect her own merchants.

One such treaty, which Rome concluded about 509 B. C., with the Phoenicians of Carthage, reads: "Merchants selling goods in Sardinia

shall pay no customs, but only the usual fees to the scribe and crier." But their competing business spirit could not be kept down and four and a half centuries later Carthage had to be destroyed by the Roman fleet. *Delenda est Carthago!*

Such a far-flung colonial enterprise naturally enough meant that the Phoenicians had to evolve a rather complicated trading system in so far as the customs and interests of the people with whom they came into relations were touched. Detailed records are lacking, because the materialistically-minded Phoenicians developed no literature or art to speak of and even their invention of the alphabet has been discredited within the last decade.

Phoenicia being a comparatively poor country in resources and small in territory, most of the trade which its people carried on consisted of imports which were resold abroad. Three distinct caravan routes brought

(Continued on page 42)



The Credoscope

J. H. Tregoe

A Superior Obligation

SHALL I prosecute a fraudulent debtor, or shall I accept settlement from him when fear of prosecution is aroused?

This question looms big at times in the management of credits, whether or not a desirable piece of sanitation shall be achieved or merely money secured. The question is seemingly difficult to answer, and it is answered too frequently on the money side. I have heard complainants say "Sending a debtor to jail doesn't concern me. What I want is my money." In such cases we have had to bow the complainants out politely and tell them that we are not operating a collection agency, that what we are proposing to do is to help punish the man who has stolen goods or money in a credit transaction, to make it dangerous for the credit crook to operate.

Getting the money is no doubt most attractive to credit managers, but getting the thief is a superior obligation and one that ought never to be evaded. It is not the one instance that tells, it is the moral effect of compounding crime. For every criminal debtor allowed to go free on condition that he will pay his obligations, several debtors will spring up willing to play the same game, in the hope that they may escape punishment.

The attack on commercial crime undertaken so ably by the National Association of Credit Men brought out human characteristics more forcibly than any work it has been my privilege to observe. It has brought out secret ideas that really make some credit managers look like children with the measles. They are spotted all over, and it is really difficult to imagine that anyone confronted with the question of sanitation or money should decide in favor of the money,

and allow unhealthful conditions to continue.

It may take courage to decline a complete or a satisfactory settlement from a debtor who fears punishment, but administering the punishment will eventually bring larger rewards than can result from obtaining settlement merely in one instance. I have not yet discerned that resentful and vigorous attitude toward commercial crime that the custodian of credit should show without fear or favor. But I am hoping the members of the credit fraternity will see a great light and learn that their only duty, when a commercial crime has been committed, is to punish the offender, even though cost in money is more than the face value of their claims.

At times we have had to set our backs strongly against the onrush of certain creditors who—after complaints have been accepted and evidence found of the debtor's criminality—are eager to accept the full settlement of their claims rather than proceed with the prosecution. The moral effect of such an action was no doubt unrecognized. We hope there will arise a storm of indignation against commercial crime that will cause creditors to sacrifice several times the sums debtors are owing them rather than let the offender escape his just deserts.

The sanctity of the credit obligation and the honor of business demand a virile attitude on the part of creditors. Until there is this attitude, we shall have to deal with the spineless and selfish credit manager who wants to take his dollars rather than see justice done.

An Old Subject

WE have never relaxed in the least from our firm conviction that the secret assignment of open accounts is contrary to the fundamentals of credit principles and to the standard of legitimate practices which

should distinguish our credit transactions in these modern days.

It has been a mistake for us, and even for the finance companies which buy open accounts secretly, not to have realized that the practice is wrong at the core and would eventually exact a price of those who bought and those who sold. The banks of the country have had an outlet for funds in loaning the finance companies large sums, when as a matter of fact they would not loan to the concerns that transferred or pledged their open accounts secretly to the finance companies. This has been a situation we could never become reconciled to.

In the wholesale and manufacturing fields the secret assignment or pledging of open accounts has not extended; but in the retail field it has, and failures are occurring where creditors find there are neither goods nor accounts available for their claims.

Incredible as it may seem, a concern, whose affairs the National Association of Credit Men is now investigating, started on practically nothing, but by some hook or crook obtained a fair rating in the mercantile agency books and succeeded in running up an indebtedness for merchandise alone of approximately \$330,000. In my opinion this is simply credit asininity, and I should be much ashamed were I a creditor in this case. It was evident that credit departments had not investigated thoroughly and that distributors, mostly manufacturers, had not interchanged with one another.

This concern sold the merchandise, mainly furniture and house furnishings, to anybody on a meagre payment and notes for the balance. The notes were immediately sold to finance companies at a discount so big that I dare not mention it. These

companies bit right into the heart of the accounts, but as the operators of the business apparently had no idea of paying their indebtedness, anything they could obtain was velvet. The whole thing is in a bad tangle, but the finance companies have the accounts and they demand either the money or the goods for which the notes were given.

Isn't it out of step with modern ideas for such a situation as this to occur? Is it right that a concern can buy goods, sell them on credit terms, take notes for unsatisfied portions and sell these notes for anything they can get for them—and then snap their fingers in the faces of their creditors and virtually tell them to go to Hades? My idea of fairness in credits rebels against such a situation as this. The very sanctity of the credit obligation, the very honesty of business methods, calls for a correction of this situation, some reasonable regulation for the assignment of open accounts that will be protective and just to everybody concerned.

Such regulation is, I contend, just as necessary to the finance companies as to the furnishers of merchandise, just as necessary to the protection of finance companies as for the service of assignors. It is contrary to good business policy and to good credit practices to permit the assignment or pledge of open accounts without some kind of notification or control.

A Disorganized Industry

IT is strange that agriculture, which until fifty years ago was our chief industry and has always been one of our foremost producers of income, has not fallen into line with organization tendencies that have distinguished our commercial life of the past three decades. For obvious reasons, agriculturists have not been able to control their products as the output of factories is controlled; but without any cohesion whatsoever, without any practical discipline, agriculture has gone on its way bringing larger returns here and there, and suffering disappointments in other localities.

I wonder if the agriculturist has not been spoiled by the paternal interest of Congress in his welfare, and if it might not have been better for the enterprisers in this field to have taken their chances and bucked their problems as enterprisers in

other industries have been compelled to do. In the present turmoil over agricultural conditions, we find the farmer, who has exercised sound judgment and used his capital with the wisdom that the proper protection of any type of capital demands, has not as a rule fared so badly. But the success of such a farmer is submerged in the general complaints rising like a fog from our agricultural districts.

There is a real credit interest in this situation, for the farmers as consumers as well as employers affect favorably or adversely the courses of business and the liquidity of obligations, according to the success or the failure of their income. In wide sections of the cotton-growing country the retail merchants are carrying millions of receivables frozen solid because the farmer debtors have not realized the wherewithal to pay. In such a situation, the retail merchant cannot replenish his stock as he should, and his own indebtedness to supply houses may have to go unliquidated for the present. The amount of business lost by this situation runs into hundreds of millions. Mere expedients are not as a rule forward-looking; they break down after a year or two of trial. There must be a nation-wide interest in this question and farmers must come out of the clouds and get down to hard rock if the agricultural industry is to take advantage of present and future tendencies.

Business men have not as a rule taken sufficient interest in this important subject. Their attention is consumed mostly in selling goods to retailers, not in providing outlets for goods. They will fare well or fare badly as conditions warrant, without realizing that they have a responsibility to agriculture and that they should give what aid they can to put this industry on a practical and systematic basis.

Tolerance

ONE of the most vivid memories of my official touch with the National Association of Credit Men was my appearance with a small committee in Washington in the Spring of 1913 before a Sub-Committee of the Banking and Currency Committee of the House of Representatives, under the chairmanship of the Honorable Carter Glass. The committee was inquiring into a banking and currency system. We had

prepared a brief pointing out emphatically our belief in the Aldrich-Vreeland Bill, but the good sense came to us in our conference that the Democratic platform of 1912 would not permit Congress to consider the measure.

The country needed a banking and currency system that would consolidate reserves, regulate the currency and elevate commercial paper into its proper place as a safe background for bank notes. Without hammering away on our ideas, we later told Mr. Carter Glass that we were going to stand with him on the best measure he could obtain from the House of Representatives, which was the Federal Reserve Bill. In its original provisions, we were not entirely satisfied with the bill; but there was no value in haggling about it when the country needed such a measure so badly. We kept to our promise, worked heartily with Mr. Glass, resisted with all our strength the men of his own party who wanted to incorporate corn tassle money in the measure, and at last the bill got through the House and reached the Senate.

We wrought better than we expected and Senator Glass in his recent book, "An Adventure in Constructive Finance—An Account of the Federal Reserve Legislation," says, "The hostile criticism reflected not only the attitude of banks as a class, which means that it was chiefly affected by the proposed readjustment, but it voiced the disapprobation of those business groups which are most readily impressed by banking thought. A very noteworthy exception was found among the National Association of Credit Men whose members thought intelligently on the subject and understood the elements of the problem. These credit men were not only tolerant but extremely helpful throughout the entire period of discussion."

I was not able to answer very many local bankers who, swinging their arms, protested in a most energetic manner that the Federal Reserve Banks would be unable to pay interest on their stock and thought those banks were altogether doomed to crass failure. We went ahead in complete faith, putting the whole nation's needs first. It was an exhibition of tolerance the National Association of Credit Men can always prize as one of the finest passages in its history.

An Optimist on China

Grover Clark's View of Situation

THE National Association of Credit Men's Foreign Trade Forum, which holds monthly meetings in New York to discuss current economic conditions in foreign markets, recently invited Grover Clark, now president and for six years editor of the *Peking Leader*, to make an address on the situation in China as it affects trade.

Mr. Clark opened his address by quoting the interesting opinion of a leading professor of international law, who said that the group of people in the United States who have the most constructive point of view, the people whom one might call the most practical idealists, the men who are really trying to do things, not for what they can get out of it but for the sake of making the world better than it is now, are not the preachers and not the teachers, but are the business men of America.

He gave a résumé of events in China, political and military, for the past year or so. He said that for the first time in eighty years the preponderance of practical organizing ability is on the side of the Nationalists, the men who are trying to get China's affairs straightened out. Until about a year ago, the brains and practical ability seemed to have been on the side of the military faction.

In the field of finance, the ability of these new leaders was illustrated by the Minister of Finance of the Canton Government, a young man by the name of Soong, a Harvard graduate, who took over control of the finances in 1925. By eliminating graft and collecting money through civilian, not military, officials, within a year he increased the income of the Canton Government 1,600 per cent.

Bankers Organized

Over ten years ago the National Bankers Association was organized in China. It includes not only Chinese banks all over China, but those in most of the important countries abroad. A system for the transfer of credits from one part of the country to another for the financing of commercial transactions and for the building up of a few stable banks, the notes of which would be accepted

throughout the country, was undertaken by the Chinese bankers, with great success, according to Mr. Clark. He gave an illustration of the Chinese financial system about fifteen years ago, as follows:

"If you wanted to travel into the interior of China you started out with a number of bars of silver—the metal. You stopped at an inn over night. You woke up in the morning—and you spent half or three-quarters of an hour arguing with the landlord as to how much you owed him. Finally you agreed with the landlord. Then you took a bar of silver and a knife, shaved off a little of the metal, and gave it to him. That is the way you paid your hotel bill. But you cannot run a large scale modern business on a basis where transfers of payment from one part of the country to another have to be pretty largely in the actual movement of silver, or any other metal. There were, of course, certain facilities for transferring credits from one place to another, but they were poorly developed and quite inefficient."

This clumsy method is contrasted with conditions as Mr. Clark found them in 1923. On a trip in the interior of China, at one stop, Mr. Clark found that he needed more money, which he secured quickly by telegraphing the Bank of China, and giving a Peking check for it. This shows the results which the bankers in China have secured through concentrating their efforts on their jobs as bankers, said Mr. Clark. Such methods as those have resulted in an increase of 46 per cent. in the total paid up capital of native Chinese banks, in the last five years.

Trade figures, too, show startling changes—the foreign trade, imports and exports, increased by about 116 per cent from 1915 to 1925. The Chinese are now producing more, proportionately, of the exports than are foreign manufacturers in China. So that, although there was the most continuous and widespread fighting in China in 1926, there was also the largest increase of foreign trade of any year since the beginning of the Chinese Republic, Mr. Clark pointed out. He suggests a possible explana-

tion of this unusual situation—that the fighting, disorganization and political breakdown in China are, after all, merely superficial. It was brought out, through many specific examples, that the absence of organized government seems to make little difference in the life of the people.

Friend or Enemy?

The American attitude toward China cannot be based wholly upon our direct financial and economic interests in China, since the total American trade with China is only about \$200,000,000. Mr. Clark, however, believes that the United States has a vital interest in the course of events in China, since it seems clear that China is entering world affairs as the leader of the Orient; that America's relations with China in the next few months are going to determine, to a great extent, whether China enters as a friend or as an enemy of the other nations.

Mr. Clark cited the details of proposed railway and gold and silver mining enterprises in China, between Chinese and Americans, which involve over a hundred million dollars, as an indication that there is plenty of money in China. The need of China at the present time is not foreign capital but foreign technical advice and assistance.

Mr. Clark sees, in the change, from confusion to reconstruction, of trade conditions in China during the past few years, a new economic revolution, which, for the first time, since the beginning of foreign trade in the Nineteenth Century, holds some promise of success.

In conclusion, Mr. Clark said that the specific problem of foreign investments and concessions and treaty relations with China must be worked out on a basis of mutual equality and reciprocity. It should be recognized that there must be a new basis for those interests which will recognize the right of the Chinese to run their own country. For successful trade relations with China depend upon giving the Chinese people the kind of goods they want, by studying the Chinese market and the tastes of the people.

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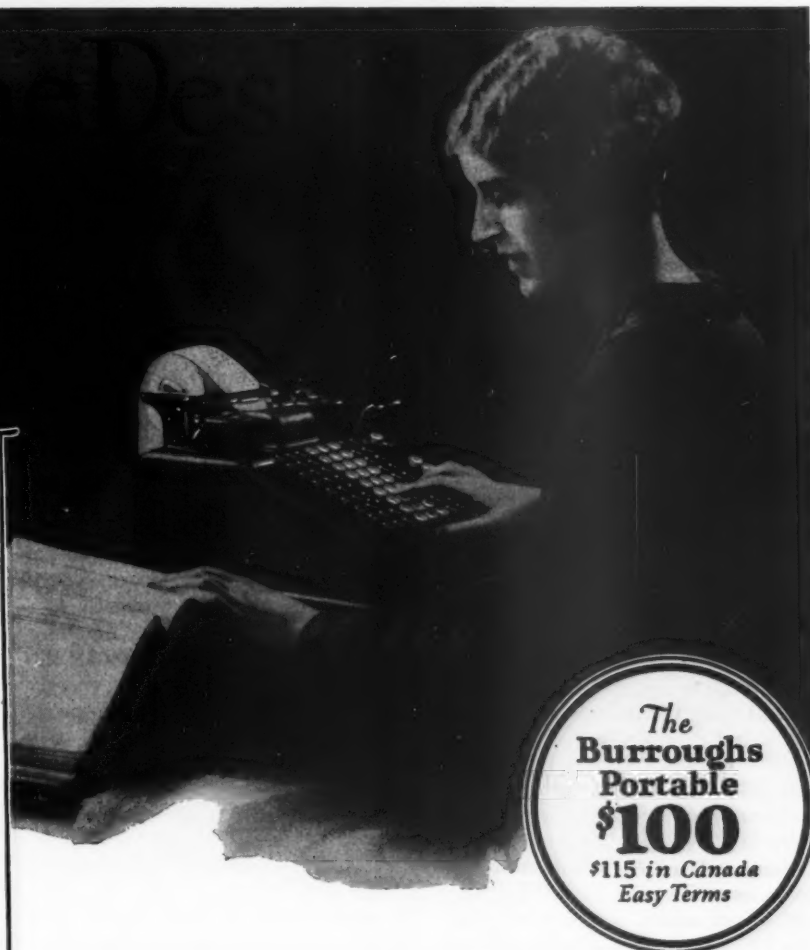
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As Values Fluctuate

Insurance Protects Credit With "General Covers"

By Clarence T. Hubbard

THE stock values change as rapidly as New England weather, especially in such trades and enterprises as chain stores, wholesale distributors, factory warehouses, state agencies for store equipment and service stations.

What is represented in \$100,000 of stock value one day decreases to \$10,000 the next, through shipments or distribution. It is an "up and down proposition" which cannot be insured conveniently by specific fire insurance policies which unless changed are stationary in their amount of protection.

To meet this rather common situation of "fluctuating stock values" is not only an insurance problem but one of exceeding importance to credit managers; for if values increase and sufficient insurance is not in force and there is a fire (or a sprinkler head leaks, or an explosion occurs, or wind-storm, or whatever is insured against) and brings about complete destruction, the unprotected gap may mean a credit collapse.

It is almost impossible to protect fluctuating values with specific fire insurance policies, for to do so means an almost daily scrutinization as to the state of these values and a constant cancellation and rewriting of policies. To take out specific insurance in amounts representing the highest values reached during a year—the peak values—means frequently paying for insurance beyond what is needed.

General Covers

There are two ways of providing the necessary credit protection and insurance relief. One is by means of general covers, so-called, written exclusively by fire insurance companies and the other through "floaters", issued by both fire insurance companies and marine insurance companies, although among the fire insurance companies the "floaters" issued are much more limited than those provided by the marine insurance companies, because of bureau, conference and state

rules and regulations which dictate the writing of fire insurance at fixed locations. The marine insurance companies are not subject to these regulations.

The workings of a general cover contract should be understood by the credit manager, whether an insurance buyer, for his own concern or whether he is consulted by his debtors. A general cover in a few words is but an "automatic binder" whereby the insurance company assumes the policy details and once a month adjusts the whole framework of protection to fit the stock fluctuations as reported. At the same time a general cover policy provides automatic protection for *new* locations which develop up to a certain limit mutually agreed upon in advance. If a series of chain stores were being insured under a general cover and a new store were opened it would be unnecessary to take out a special policy because the store would be automatically insured up to a limit agreed upon and then reported in the next and subsequent statements. If the values exceeded the limit granted for "unknown" locations then the insurance company would have to set a new limit. The fire insurance companies when issuing general cover contracts are required by law to execute underlying or individual policies at each separate location in keeping with the resident agency laws. These policies are kept in the home office of the insurance companies and are endorsed each month to increase or decrease the values at the different points in keeping with reports submitted and not exceeding certain limits set for each location.

For instance, supposing you owned a string of shoe stores throughout two different states. Your stock of shoes on hand in each store fluctuates and yet you want this stock fully protected at all times. Your agent, after making sure that you have locations in at least *two* cities, recommends a general cover contract.

As owner of the shoe stores you

provide the agent with a statement showing the value of the shoes at each store on the first of the month. The agent then asks you what the highest amount of stock might be which you would have in any of these stores during the course of the year, not overlooking your Christmas trade. Assume that \$50,000 is the highest limit in Springfield, Mass., \$30,000 the highest limit in Bridgeport, Conn., and \$60,000 in Boston, Mass., with other amounts varying according to the locations. If the insurance company can handle these amounts, it will agree to them as "limits" up to which the General cover protects, but which must not be exceeded. In other words, if a \$60,000 limit is agreed upon for Boston, the policy will not pay beyond this amount and sometimes the policy form is worded so that the general cover only contributes in event of loss *after all* specific insurance is exhausted.

You then provide the agent or broker with your initial statement showing the values at each of your locations as they are on the first of the month and you receive a general cover policy. The insurance company then issues individual fire insurance policies protecting each one of your stores for the actual amount of stock represented in this first statement and you pay the total annual premium for all this insurance necessary, the property being rated at the actual tariff-board rate at each location. The total annual premiums of these policies represent what is known as the *initial* premium paid under a general cover.

Then the first of every month you submit a new statement showing the changed values at each store and the insurance company, without bothering you, increases or decreases by endorsement every one of these individual underlying policies so that once a month they are adjusted to fit your fluctuations of values. If the values increase you are charged an additional premium and if they decrease you are credited with a return premium, all of which is adjusted at the

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end of the policy year, and the accounting kept track of by the insurance company which has the use of your initial premium in the meanwhile.

Here, however, is the important point! You cannot possibly get these statements to the insurance company the first day of the month, although they should be reported within ten days after the first, but the policy provides thirty days in which to submit a report and if a loss occurs before the thirty days expire and the values have increased materially over the last statement on record with the company, you are automatically protected up to the limit agreed upon for the location.

Such a contract is very flexible and is an ideal way of handling fluctuating values. Strictly according to fire insurance rules, it is necessary to apply short rate cancellation when cancelling insurance for fluctuations in values and the policy is no kind of a make-shift to permit "pro-rata" adjustments. The policy is subject to the general rules in each state.

N. Y. City Not Included

It is possible to cover stores all over the country, although most of the fire insurance companies will not include greater New York. There are many reasons for this, the main one being that the rules of the New York Fire Rating Society prohibit this in order to avoid a congestion of values in New York City.

These general cover policies, although written mainly to offer a dependable fire insurance protection, have also been issued against the hazards of sprinkler leakage and explosions and loss from windstorms. As an example, one of the large shoe policy concerns with distributing stations all over the country carried a general cover which insured them for loss against fire and explosion and sprinkler leakage at their various warehouses.

It is of course important that the values represented by the actual cash values or "cost to manufacture" price, on just the same basis as you insure values generally for fire insurance. In other words the selling price is the wrong value to report because the general cover, like the ordinary fire policy, pays only for the cost value of the goods. This word of caution is because of many errors on the part of bigger enterprises in insuring their

fluctuating values on the basis of selling costs, the result of general instruction issued to the bookkeeper—"be sure to send a statement of our values at each warehouse to our agent on the tenth of each month".

In several instances this has not been discovered until the auditors appeared and it was learned that premiums had been paid for insurance which could never have been collected. In some cases an adjustment has been attempted from the insurance companies; but, as they had paid out a portion of their premium to their re-

insurers, it was hardly to be expected that any refund would be paid.

There is an "honesty clause" in every general clause contract which states that, if any property becomes destroyed after the last statement has been reported but before the new statement is submitted containing this location, the assured will be paid a loss for not more than the proportion of the loss which the last reported value of the stock bore to the actual value of the stock at the time of the last report. Frequently these statements do not reach the insurance com-



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panies promptly; and occasionally a clerical error occurs. And as fires may occur during the interim this clause is perfectly fair to the assured.

These general covers are a regular form of protection governed by the same rules and regulations which apply to fire insurance and are truly proper insurance-wise in every way.

The Fire Floater

The difference between a general cover and a fire floater is that a floater is a blanket policy which covers property anywhere and which does not require that underlying policies be issued or monthly reports submitted but it generally represents insurance up to fixed amounts in certain limits almost anywhere.

Such floaters known as country-wide fire floaters are against the rules of the organizations which govern the so-called "board" insurance companies. Strictly speaking an interstate or country-wide floater should not be issued by a fire insurance company because it is a violation not only of the organization rules but is subject to the criticisms of the insurance commissioners for the reason that under floaters they do not receive the benefit of premium taxes in their locality and is also in violation of different State rates and rules. The particular danger of accepting such floaters is that the assured never knows when it may be cancelled by the company which issued it in violation and few if any of the well known fire insurance companies will issue such a form of insurance but insist upon a general cover.

Fire insurance floaters confined to one particular State are entirely in order and represent no violation. The rate books for each State generally provide floater rates. If you are a contractor and have road equipment all over the State you can insure the total value of that equipment under a floater and, if any of it becomes destroyed by fire or the other hazards insured against, it is taken care of under the floater without the necessity of a specific policy being issued for every bit of apparatus. Such floaters are limited when values are stationary and scattered and all in one State. If in two States you should have a separate floater with the values properly separated for each state.

How about the marine insurance floaters you ask? Can they do all of the things the fire insurance floaters are not permitted to do? The

marine insurance floater is designed to take care of values while in transit from one place to another and has been amended to cover also goods in warehouses or in the hands of a possessor. For some time there has been a question as to just where marine insurance floaters took on and fire floaters left off. The fact that the marine insurance companies are not subject to the same rules and regulations as the fire insurance companies has caused some floaters to be offered which have been pretty broad in their protection and perhaps beyond what a marine insurance company should protect without trespassing in the fire insurance field—for marine floaters are really meant to be confined to goods in transit.

It is now pretty thoroughly agreed that stationary values will be protected under general covers or under State floaters to which no protection can be annexed covering goods in transit, and on the other hand the marine floaters will be confined to movable values and that no forms will be added covering stationary values on goods in the hands of possessor and the like.

The Open Policy

There is one other method of handling fluctuating values such as cotton shipped in and out of warehouses or furs placed in cold storage and a so-called "open" policy is issued which specifies limits of liability and against which the agent can issue certificates. If \$10,000 worth of cotton is shipped to a warehouse today the agent can write a certificate for \$10,000. If it is shipped out in two weeks the certificate is cancelled. These certificates are just the same as individual policies but are more convenient to handle because certificates can be written and cancelled as the values fluctuate and the premium paid for just the proper insurance taken out to cover these values instead of a large policy having to be written sufficient to take care of the peak values during the year and then being much greater than needed for the rest of the time.

There is a legitimate way to insure the fluctuating values of any kind of enterprises. The full submission of facts to your agent or your broker will bring the best recommendations as to a general cover, a floater, or the certificate method. The trouble taken to look into these forms is well worth while.

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Credit in a Young Industry

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title to the machines until payment has been made."

Coldak Terms

The Coldak Corporation, according to Frederick Marks, in charge of credits, sells mostly on sight draft, their best terms being 2 per cent. ten days, net 30 days. The attitude of the company is that in this period of the education of the public, when immense sums for advertising must be spent, dealers must finance themselves, though the management is willing to co-operate in suggesting a mortgage company to assist the buyer in his financing.

More reliance is placed upon sales ability than extensive capital, says Mr. Marks, who adds that a dealer is sold only after a full investigation and conferences at headquarters. "I use the commercial agency reports as a check," he says, "but usually I know a good deal more about a prospective customer than I could get from them, having got reports locally from a number of sources."

Collection Procedure

Interesting ideas for credit managers everywhere are to be found in the suggested collection procedure, based on a knowledge of psychology as well as business, which has been issued by the Credit Department of the Frigidaire Corporation, Dayton, F. O. Pansing, manager, to the company's distributors. Excerpts from it are given below:

Credit and Collection Department

With this greatly increased volume of business it is highly important that you should be properly organized from a credit and collection standpoint and have this operation headed up by a competent person. Seemingly this individual should have a good personality so that customers and dealers will like to transact business with him. He should have a good business experience and should appreciate that his work after all is "selling." While the selling may not be as direct as that of a salesman selling a product it is a fact, however, that he must be continually "selling the Company" and you as distributor to the banks, business houses and individuals with whom he contacts. He should be so organized that he can not only supervise the city collections but should be able to contact with dealers and their banks so that proper channels may be kept open for the unobstructed flow of our products to the consumers.

Collection Procedure

The following are directly relevant to the matter of collections:

Terms of Sale

should be either cash or GMAC on installation. There are several very good reasons for this—

1. The customer is greatly pleased at this time and is in the best frame of mind for settlement.
2. If the settlement is delayed and some little squeak develops or some little adjustment needs to be made it only furnishes the customer an excuse to withhold payment.
3. Many service costs will be eliminated because when an account is paid in full the product always works better.

Making a Clean Sale

A sale should be clean with no "strings" to it. It frequently happens that numerous promises are made by the dealer or salesman at the time the order is taken, but which do not for some reason appear on the order. Obviously this makes it very difficult to handle at the time of collection. To sell terms or do anything irregular merely to get the product out cheapens the product and does not tend to build good will. Terms should be quoted without any apology because all legitimate business is entitled to a legitimate profit if it expects to continue and be in business at a time when this customer may need to have service on his product.

When an order is received it should be

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Nomads

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White and McCarty, Poets

Creditor and Debtor Correspond in Verse

EVIDENTLY C. W. White, credit manager of the Logan Co. (formerly the Dow Co.), a wire and iron manufacturing company, Louisville, Ky., believed that the most useful quality of collection letters is novelty. Or perhaps he thought that nothing short of quatrains could touch the heart of Ed McCarty, of the North Canton Corporation, Ohio. Mr. White starts poetical correspondence with his debtor friend with the following bit of verse:—

You need money
So do we,
But you've got ours
Don't you see?

If you keep yours
And ours, too,
What in the world
Are we going to do?

The amount is \$152.00
Check—
Thanks.

However, this appeal did not get the check, for Mr. McCarty, either in genuine doubt about the bill, or simply hoping for more verses, answered with this:—

I like your little poem
'Twas written very well,
It put your message over
Without a cuss or yell.

We'd sure like to help you
But what we must know now
Is whether it is Logan
Or whether it is Dow.

We'd swear we paid the bill;
But then if you debate
We will just submit to you
And ask for duplicate.

A few epigrammatic notes were added to the poem for good measure: "Green is my choice of colors—the long green and the Killarney type. Green is the emblem of hope, restful to the eye. Blue is also a favorite color—but a terrible feeling."

To which Mr. White replied:—

Your poem was clear and sweet
'Twas music to our ears

It made us feel so happy,
It dried away our tears.

The amount was overdue,
We made two efforts in vain,
A poem was then suggested
To relieve this little pain.

'Tis true you really owe us
So far as we can see;
But if you find it otherwise
We'll gladly bend our knee.

We know you want to help us
And we will tell you now
That our name is Logan
But it formerly was Dow.

"McCarty is a good name, too. We, also, like Green, especially long green, and we know you will send it pretty quick if you find the enclosed duplicate invoice amounting to \$152.00 for the tree guards and lawn swings correct."

Mr. McCarty found this explanation fair enough, and replied not only with the check in question, but with some additional verses:—

Really, sir, I did not know it
You were such a clever poet
I read your nifty four-verse rhyme,
Say, you're improv'ing all the time.

Now since we've got the duplicate
There's no chance to prevaricate,
You also heard me say that I
Have got no further alibi.

We lost like the Yanks, by heck
So now enclose our little check
For the amount we were owing you
A snug one hundred fifty-two.

You know the best men have their fun
But since that little job is done
We'll both salute our Edgar Guest,
And next to him I think you're best.

Oh, say, Mr. White,
It'd be my delight
Some moonlight night
To invite you to my party
We'd have a bushel of fun
With our rod and gun
Just you and Ed McCarty.

A check and an invitation too seemed to call for some response, and perhaps by this time, White had the rhyming habit, and simply couldn't stop writing verses:—

We acknowledge receipt of check
The amount was correct,
We'd put it in the bank
And now we must say thank.

We've had a lot of fun
But the job has been done
I'll look forward to your party
Sure as your name is Ed McCarty.

In a later, and more prosaic letter to Mr. White, Mr. McCarty, referring to the poetical correspondence, said:—

"Don't wait until we owe you another \$152—write us any time."

If credit managers could be certain that letters in verse would always insure so friendly a feeling as that expressed by Mr. McCarty, as well as the money, every Credit Department would have its poet laureate.

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Credits in a Young Industry

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acknowledged to the customer, which will not only confirm the order but will have a tendency to clear up any misunderstandings which might be in the mind of the purchaser, as well as assure the distributor that the orders are bona fide. This applies particularly to those orders received from salesmen with whom you may have an arrangement to advance them a part of the commission at the time the order is received.

Proper Installation

After a good clean sale is made it must be delivered and installed. Installation should be made as quickly after delivery as possible. Your installation men should realize that upon them depends in a great measure, whether a customer is satisfied or dissatisfied. It means more than merely building a concrete base or making certain plumbing and electrical connections. After the installation is made in a very satisfactory manner collection can be made more promptly and you are enabled to hold your investment to a minimum, which means so much from an operating standpoint.

Assuming that the sale has been made "clean" and that proper installation has been made, the account must now be collected. The following is the procedure which we use in the Branches and which we believe will be of some assistance to you:

1. Promptly forward an invoice to the purchaser as soon as delivery has been made; which of course will carry the exact terms of sale as shown on the order.
2. If payment is not made promptly in accordance with the terms as shown on the invoice, then a statement should be forwarded promptly to the purchaser.
3. If the statement does not bring about the settlement of the account within seven days then a letter should be written to the purchaser calling attention to the fact that the account is delinquent and request immediate payment or the reasons for non-payment.

Suggested Letter

"It is generally recognized that failure to pay an account is due to an oversight much more frequently than refusal or the inability to pay, which we believe is true in this case.

Will you be good enough to review this account and if this statement agrees with your records your check at this time in payment will be appreciated.

If payment is being withheld for any reason with which we may not be familiar, kindly let us know so that proper attention may be given as we are anxious to serve our customers in the best manner possible. We are quite sure you appreciate the reasonableness of our request."

This letter should be used where no attention has been given to either the invoice or statement mailed the customer.

4. If the letter does not bring results within five days, get in touch with the customer by telephone or personal call and collect in accordance with terms on the order. If as a last resort the customer is unable to pay cash even though the terms specify cash, settlement should be made on the GMAC plan.
5. If settlement is not made at the time of the personal call or within three days after the telephone call, then the salesman who made the sale should endeavor to make collection.
6. If none of these collection efforts prove successful it is suggested that

a letter be written similar to the one which follows, as a final effort on the part of the distributor to collect.

Suggested Letter

"We have received no response to our repeated communications relative to your outstanding balance of _____, as shown on the enclosed statement.

We have tried to be reasonable in our requests and the handling of this account but simply cannot allow this balance to remain open longer.

Unless we receive settlement by _____ we shall feel obliged to place your account in the hands of our attorney for collection. We trust you will appreciate the reasonableness of our position in the matter and that you will make it unnecessary for us to take this action, which would be expensive and unpleasant for both of us."

This letter may need to be a little different depending of course on developments up to this point.

7. If this does not bring results then the matter should be promptly referred to your attorney for final disposition.

The procedure applies to the collection of city sales and can be used also in any sub-branches you may have outside of your home city.

In your provincial territory where most of your business is handled through dealers on a sight draft against bill of lading basis this collection procedure could be used to good advantage by them in the collection of their own accounts.

GMAC Handling of Accounts

After an open account on your books has been closed by GMAC contract the matter

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of collection up to a certain point is then handled by the GMAC. If the GMAC payments become delinquent then GMAC will promptly notify you so that if the delinquency is due to a service complaint or the need for some mechanical adjustment it can be given immediate attention by some competent representative from your office. As soon as this service has been rendered, you should notify the GMAC to this effect so that they can proceed with their collection efforts.

After any GMAC account becomes seriously delinquent and the GMAC has been finally unable to effect payment it will be necessary for you to take over the account.

If the customer simply refused to pay for no apparent reason, then this is a matter which should be referred to your attorney for his attention.

If the customer is unable to pay due to financial difficulties seemingly the thing to

do is to re-possess the product so that you can at least be protected on what salvage value there may be in the product.

Perpetuating the System

(Continued from page 10)

a word as to their scope may be appropriate.

These provisions will now enable National banks in cities of over 25,000 population to establish branches within the corporate limits of such cities in those States which now, or may hereafter, authorize State banks to have branches. The number of branches so allowed is: One in cities

of between 25,000 and 50,000 population; two in cities of between 50,000 and 100,000 population, and in cities of over 100,000 population in such number as may be necessary to meet the business needs of the communities, to be determined by the Comptroller of the Currency after full and thorough investigation.

No new branches will be allowed outside of the legal, or corporate, limits of those cities eligible to have branches, this being the clear intent of the two houses of Congress and the definite understanding agreed upon in conference and accepted by the votes of the House and Senate.

Those banks, which may have lawfully established branches outside of the corporate limits of the city where the parent bank is located, or which may have by consolidation or conversion acquired outside branches before the approval of the Act, may retain such branches; but thereafter no branches established or acquired outside of the corporate city limits may be retained.

Since the approval of this Act some of the largest State banking systems have already joined the National system, and more are expected soon to join; whereas during the delayed action on this legislation great alarm was apprehended for the very existence of the Federal Reserve System because of the great number of National banks that were giving up their National charters and taking out State charters, it being everywhere acknowledged that the National system was the mainstay and backbone of the Federal Reserve System.

Volumes One and Two

The New York Public Library, Fifth Avenue and Forty-second Street, N. Y., has a complete set of the CREDIT MONTHLY under its present title and of the publication when it was called the Bulletin of the National Association of Credit Men, except volumes 1 and 2, dated 1898 and 1899. If any member of the Association is able and willing to supply these two volumes or either of them, the gift will be greatly appreciated by the Director of the Library.



Completing the Chain

Each order on an old or new account is a product of costly effort. The passing of one account for credit upon which there is the slightest doubt of final settlement, jeopardizes the calculated profits on many others.

At your disposal are many resources to test the reliability of your customer as a credit risk. Your judgment is built upon the facts and evidence available up to a certain time. Events taking place after the goods have left your hands, are beyond your control.

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Answers to Credit Questions

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Chattel Mortgages

Q. Are general creditors entitled to notice of the foreclosure of a mortgage on stock of merchandise in the State of Vermont?

A. On the foreclosure of a mortgage, only those persons who have an interest in the mortgaged property are entitled to be parties to the proceeding. By an interest in the property is meant persons who have acquired liens upon the property by mortgage, levy of execution, or otherwise. General creditors have no interest in the mortgaged property and are not entitled to be made parties to the foreclosure proceeding or to be notified of the foreclosure of the mortgage.

Acceptances and Notes

Q. What is the difference between a trade acceptance and promissory note from the viewpoint of legality, the trade and the customer?

A. From the legal standpoint, there is very little difference between the trade acceptance and promissory note; both are negotiable instruments and subject to practically the same law. The trade acceptance is not, however, a sight draft or a promissory note. A note is drawn by a person whereas an acceptance is drawn on a person. The trade acceptance performs a different function from a promissory note as a note is generally used in borrowing money and in settlement of past due obligations, while a trade acceptance bears, on its face evidence that it is drawn by the seller of merchandise on the purchaser for the purchase price of the goods sold and when accepted constitutes an unconditional promise to pay on a specified date. It is just as binding on the acceptor as a promissory note.

The trade acceptance should not be employed in any class of transactions except those concerning the purchase and sale of goods, wares and merchandise. It should not be given for borrowed money or past due accounts but should represent current transactions only.

The trade acceptance has the following advantages over an open book account: through a trade acceptance, the credit represented by the account becomes immediately available for additional use by the seller because the trade acceptance being a two name paper is acceptable for rediscount with all banks including members of the Federal Reserve System. Furthermore, the use of the trade acceptance establishes at once the correctness of the account as between buyer and seller and reduces the expense of collection and lessens the cost of conducting business; and, furthermore, in carrying open accounts, sellers strain their own credit in order to extend credit to buyers for an indefinite time, most of the time without interest, security or even any good evidence of the sale.

Viewing the instrument from the angle of the buyer, we find that those who settle by trade acceptances put themselves into a class of preferred buyers the same as those

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

who discount for cash. This naturally will favorably affect the credit ratings of such buyers with mercantile agencies. The financial statements of buyers using acceptances will carry more weight because acceptances payable are regarded more favorably than accounts payable. The trade acceptance will have a tendency to discourage buyers from overstocking and cause them to watch more closely their own collections in order that they may be able to meet the acceptance at maturity.

A trade acceptance should never be renewed. If for good reasons the debtor is unable to pay the acceptance at maturity, his promissory note with interest should be taken. It would establish a very bad precedent for sellers to renew trade acceptances. The real benefits to be derived from it come from the debtors meeting the acceptances as they mature and thereby making it possible for the seller to rediscount the instruments. A trade acceptance given in renewal would not be subject to rediscount with members of the Federal Reserve System inasmuch as they then would fail in the class of promissory notes given for past due obligations.

Claims Against Bankrupt Estates

Q. Can a firm charge off accounts against a bankrupt where it is reasonably sure that the estate will pay no dividends although the estate has not been wound up?

A. There is no legal objection to doing so.

Terms of Payment

Q. Is it legally safe to use the following phrase in describing terms of payment—"3/10 E. O. M. n/60"?

A. The question to be determined here is whether this phrase is generally understood in the trade without further amplification. If it is generally understood, it is sufficient. If it is not generally understood and could be questioned as to its correct interpretation, then the phrase should be amplified.

Negotiable Instruments

Q. Are negotiable instruments made on Sundays and holidays valid?

A. Under the common law, negotiable instruments made on Sundays and holidays were not void as it was not considered illegal to transact business on such days. In many states, however, statutes have been passed regulating such practices and the laws of the various states are quite specific. These various state statutes differ a great deal in their effect; some make void negotiable instruments dated and delivered on Sunday; others, under other statutes, state that a check dated on Sunday but delivered on Monday or any other week-day is legal. Also, some of the statutes and decisions distinguish between Sunday and holidays inasmuch as some of the state laws primarily are intended to control business transactions of all nature on Sunday but do not intend to affect other holidays. Some statutes and decisions are applicable to holidays as well as Sundays and void the instrument or make it voidable. If they make it voidable, of course it means that the instrument must afterwards be ratified by the interested parties in order to be legal.

The above statement will indicate that it is necessary for one to be familiar with the statutes of each state in order to know whether or not a negotiable instrument dated on a Sunday or a holiday will be void.

Drafts

Q. Where goods are sold on the basis of 30, 60 or 90 day draft and the drawee refused to accept the draft for payment at the due date, what are the rights of the drawer?

A. The answer depends upon the contract between the buyer and the seller. If the contract provides that the buyer will accept a draft payable 30, 60 or 90 days from date and upon presentation of the draft for acceptance the buyer refuses to accept, the seller may start action immediately to recover the value of the merchandise shipped or if the merchandise is still in transit, he may stop it in transit. No action can be brought on the draft itself until after it has been accepted and there has been a default in payment at maturity.

Checks

Q. What is the law governing a check marked "payment in full" but which does not take care of an account in full?

A. In most states, check for less than the full amount of a debt which are marked "payment in full" do not constitute a full accord and satisfaction unless the debt is disputed. In a few states, either statutes have been passed or the courts have handed down decisions changing the above stated basic rule; but the weight of authority is in favor of the rule.



The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

Sparks From a Credit Dynamo

THROUGH THE YEAR WITH TREGOE. Edited and published by Harry W. Thompson and J. Victor Day. The Tudor Press, Inc., 251 Causeway St., Boston, 1927. Flexible Covers \$1.50.

This neat volume of 365 carefully selected paragraphs from the writings of Executive Manager J. H. Tregoe comes at a particularly appropriate time, since it synchronizes with the "Silver Anniversary" Convention of the Association, celebrating the twenty-fifth anniversary of the election of Mr. Tregoe as President of the National Association of Credit Men.

The book is edited and published by two prominent and active members of the Association.—Harry W. Thompson and J. Victor Day of Boston. Mr. Thompson is a member of the Board of Directors of the Boston Credit Men's Association; Chairman of the Board of Governors of the Boston Chapter, National Institute of Credit; and Credit Manager, New England Tire Branch, Hood Rubber Products Company. Mr. Day is a past president of the Boston Credit Men's Association and of the National Committee on Credit Education; and assistant treasurer of the Smith Patterson Company, jewelers, of Boston.

As Mr. Day says in his brief but admirable preface, no man has been more influential in building up a sound, stable, and ethical system of credit in this country than has Mr. Tregoe. One of the outstanding factors in his career of distinguished service has been his personal and direct contact with thousands of members of the Association, maintained year after year by means of his Monthly Letter and his Credo-scope paragraphs in the CREDIT MONTHLY. It is from this material that Messrs. Thompson and Day have made most of the selections for "Through the Year with Tregoe."

While a strong thread of credit technique runs through these 365 paragraphs there is much in them for the sales manager, the accountant and the business executive in general. Mr. Tregoe has been far more than a mere Association Secretary. He has become one of America's foremost business prophets, and his opinions are followed with confidence by executives in many lines of production and distribution from one Portland to the other. There is surely a hearty welcome waiting for the message that is contained between the covers of this significant book.

Gathering Labor Data

EMPLOYMENT STATISTICS FOR THE UNITED STATES. Edited by Ralph G. Hurlin and William A. Berridge. Russell Sage Foundation, N. Y., 1926. 215 pages, \$2.50.

In this volume, edited by Director Hurlin of the Russell Sage Foundation Department of Statistics, and Professor Berridge of Brown University, are presented plans for the collection of employment statistics in the United States and a handbook of methods recommended by the Committee on Government Labor Statistics of the American Statistical Association.

The need for such a Committee was emphasized by the meeting of President Harding's Conference on Unemployment in the fall of 1921. The Conference met "to inquire into the volume and distribution of unemployment." The data available were so unsatisfactory that even after a thorough examination of all the facts in the possession of state and federal bureaus of labor statistics the official estimate could be nothing better than a statement that "there are variously estimated from three and one-half to five and one-half millions unemployed."

This volume presents the consensus of opinion of the members of the Committee. The material, prepared by an editorial subcommittee, has been drawn from the experience of the members of the Committee, from records of its discussions, and from reports of sub-committees appointed to investigate such special problems as the form of the questionnaire, the classification of industries for employment statistics, the relation of federal reserve banks to state and federal collection of employment statistics, payroll statistics for construction industries, and payroll statistics for general trade.

The Chairman of the Committee, Miss Mary Van Kleeck of the Russell Sage Foundation, contributes Chapter Two, which discusses the uses of statistics of employment and unemployment by President Harding's Conference on Unemployment in 1921. Important accounts of both methods and results are contributed by other members of the Committee, including Charles E. Baldwin of the United States Bureau of Labor Statistics; Eugene B. Patton of the New York State Department of Labor; A. J. Altmeyer of the Wisconsin Industrial Commission; R. D. Cahn of the Illinois Department of Labor; Roswell F. Phelps of the Massachusetts Department of Labor and Industries; J. Frederic Dewhurst of the Philadelphia Federal Reserve Bank; and Joseph A. Becker of the United States Department of Agriculture.

For anyone whose job involves the handling of statistics, this volume has an in-

terest far beyond the immediate problem of employment and unemployment on which the study is based. It gives complete specifications for identifying the sources of statistics, collecting the data, tabulating the results and making them available to the general public through publication.

The appendix provides 20 pages of form used in the collection and tabulation of payroll data. An 8-page index completes the book, which was printed for the Russell Sage Foundation by the Wm. F. Fell Co., of Philadelphia.

Twenty-Five Leaders

TIPS ON LEADERSHIP. Herbert N. Casson. B. C. Forbes Publishing Co., New York, 1927. 223 pages. \$2.00.

As a relief from a rather heavy diet of economics, business law and credit technique, the "Business Library" department aims to review occasionally for its readers a book of the inspirational type. This time the volume selected is from the active pen of Herbert N. Casson, an English business executive and writer who has spent much time in the United States and knows American business more thoroughly than many Americans do.

The "Tips on Leadership" are presented in twelve chapters, so well titled that they deserve reproduction here:

1. Make Decisions Quickly.
2. Be Independent.
3. Act and Stand Firm.
4. Always Have a Fight On.
5. Learn to Make News.
6. Consider Defeats as a Lesson.
7. Form Alliances With Other Leaders.
8. Walk Toward Danger.
9. Create a Staff.
10. Represent Your Followers.
11. Reward Loyalty.
12. Have a Great Worthy Purpose.

Part Two of the book has the sub-head, "Life Stories of Twenty-five Leaders", and consists of brief sketches, in Mr. Casson's energetic style, of twelve notable Americans, eleven Englishmen, a Scot and a Canadian. Some of these leaders are living forces in the business of today; others have passed on but have left priceless heritages to those who came after them.

Of the Americans, some are known around the world,—Ford, Edison, and Burbank, for example. Others, such as Charles Seabrook, George F. Johnson, and King C. Gillette, have a more limited fame. Frederick W. Taylor is certainly entitled to his niche in this Hall of Fame, and the same may be said for other Americans who are listed in Mr. Casson's twelve.

The English representatives include

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Richard Burbidge, the Cadbury brothers, Michael Faraday, Warren Hastings, Huxley, Newton, Pitt, Cecil Rhodes, Lord Rhondda, Fred Selous and Sir Swire Smith. The Canadian entry is Edward Wentworth Beatty, who succeeded Lord Shaughnessy as head of the Canadian Pacific. The Scot is James Watt, who created the age of steam.

Although Mr. Casson, like Mr. Brisbane, is a victim of the capital complex, these sketches of his are well worth reading. They illustrate admirably the principles of business success laid down in the "Tips on Leadership" portions of the book.

The volume is printed in clear type on good paper and put out in a neat flexible cover of black, with back-stamping in gold.

Our Southern Neighbors

INDUSTRIAL AND COMMERCIAL SOUTH AMERICA. Annie S. Peck. Thomas Y. Crowell Company. New York 1927. 489 pp. \$3.50. Postage extra.

Here is a useful deskbook for the credit manager or sales manager of a concern whose market includes the South American countries. It has been described by George E. Roberts, Vice-President of the National City Bank, as "the most comprehensive and complete book on South America that has been issued."

The first edition was published in 1922. This is a revision which is unusual in that the entire volume has been reset. The author, Miss Annie S. Peck, a Fellow of the Royal Geographical Society, is one of the world's most famous mountain climbers. Her outstanding achievement was the first ascent of the peak of Huascaran in Peru, 21,812 feet above sea level, and the highest point on this hemisphere attained by any American.

After a brief introduction and a chapter describing features of South America as a whole, Miss Peck divides her work into three sections, headed respectively "The North Coast", "The West Coast", and "The East Coast". There is a valuable Appendix giving information about postal and cable facilities, banks, steamship lines, publications, accents and spelling. There are also eight maps, including a frontispiece of South America in colors.

The section on the North Coast consists of five chapters on Colombia, five on Venezuela, and two on British, Dutch and French Guiana. The West Coast section comprises five chapters on Ecuador, five on Peru, four on Bolivia, and five on Chile. Under the East Coast heading are five chapters on Argentina, four on Paraguay, three on Uruguay, and six on Brazil. The concluding chapters are general, covering "South American Trade" and "Life in South America".

Miss Peck has gleaned her statistical material from reports and other publications of the various South American governments, from documents on foreign trade published by our own government, and from high officials of many large manufacturing and distributing enterprises. There is some divergence in the dates of her statistics, but in the light of the fact that some countries are much slower than others in publishing statistical data, this lag could scarcely be avoided.

Members of the National Association of Credit Men who have been so fortunate as to see a presentation of the Association's foreign trade playlet "Simp or Simpatico" will heartily agree with Miss Peck's ideas concerning the proper attitude of North Americans who go among the South Americans for business purposes. We should, she urges, recognize the difficulties which have retarded the progress of our Southern neighbors. Instead of a supercilious mental attitude based on a real or

fancied superiority, we should have a sympathetic understanding of the conditions under which the South Americans work, and of the tremendous obstacles confronting them, some of which have been over-

(Continued on page 36)

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The Business Library (Continued from page 35)

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Rising Costs of Marketing

THE DISTRIBUTION AGE. Ralph Borsodi. D. Appleton & Co. New York, 1927. 321 pp. \$3.00.

The objective of this book is expressed in its sub-title "A Study of the Economy of Modern Distribution". Its author has two other volumes to his credit—"National Advertising", and "The New Accounting". An introduction to "The Distribution Age" is provided by Lew Hahn, managing director of the National Retail Dry Goods Association.

Mr. Borsodi shows that in the past fifty years the cost of distribution has nearly trebled, while the cost of production has declined by more than one-fifth. If the cost of distribution continues to rise at the same rate, before the end of the next fifty years we shall have more people engaged in distribution than in production. What we save through the lower cost of modern methods of production we are losing through the higher costs of modern methods of distribution. What can we do about it?

In order to answer this question the author made, first of all, a critical analysis of the distribution elements of the consumer's burden, directing attention to certain facts on marketing the importance of which has not been generally recognized. Most of these facts have to do with what the author calls "high power" marketing—the transportation of raw materials and finished products and the methods of selling, advertising and financing which manufacturers use today in an effort to keep their factories "sold up" to maximum production capacity.

Mr. Borsodi devotes the first and second parts of his book to this analysis of modern distribution. He shows that only about one-third of the consumer's dollar spent at retail is paid for production, while two-thirds goes for distribution. Strange to say, it appears to be the manufacturer rather than the wholesaler or jobber who gets the most of what the consumer pays for marketing.

In the third and fourth parts of the book the author suggests that consumers, retailers, jobbers and manufacturers can do in order to lower the cost of distribution. One suggestion is that we should have more real competition. We have, for example, a free market in the distribution of raw cotton, the price of cotton being determined substantially by competition between buyers and sellers. But we have no such free market for cotton yarn, gray goods, and finished goods. In the case of the latter, free competition is hampered by special privileges which enable certain factors in the process to ignore market quotations and charge all the traffic will bear.

Other suggestions are that we concentrate on scientific cost-cutting and that we attempt to increase the buying power of those classes of the population whose limited incomes prevent them from consuming to their full capacity.

Some of Mr. Borsodi's ideas will be regarded, in certain quarters, as decidedly radical. Advertising men will certainly resent his indictment of "high power salesmanship". On the other hand, credit managers will agree with much of what he says in Chapter Sixteen on "High Pressure Credit", and particularly with his spirited answer to the question: "As long as net

profits can be increased, what difference does it make what the credit losses amount to?"

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BRESLER, LAZAR, conducted drug store at 34-21 Edgemere Ave., Edgemere, L. I.
CAITO & CO., JOSEPH, 761 Broadway, Cleveland, Ohio.
CARP'S MEN'S SHOP, 127 Central Street, Lowell, Mass.
CARUSO (HARRY) & BELSANO (CARL), Niagara Sales Co., 925 Salina St., Syracuse, N. Y.
CLOY, GRACE, Marion Beauty Shop, 1715 Main St., Niagara Falls, N. Y.
CORCORAN, M. M., 1407 S. 52nd St., Philadelphia, Pa.
COURTNEY, W. R., concessionaire, recently at Sebring, Fla., home address, Florence, S. C. (Courtney Construction Co.)
CULVER, E. J., prop. Electric Shop, Manistigouche, Mich.
DEEN, A. S., Pittsfield, Mass., reported to be in Ohio.
DOBLER, HENRY C., 3015 Archer Ave., Chicago, Ill., reported to be in vicinity of Glen Ellyn, Ill.
DUELFER, CHAS., 76 River St., Paterson, N. J.
FLORIDA TAILORS, 1409 Seventh Ave., Tampa, Fla.
FOREHAND, LANORE (MRS.), 828 N. 24th St., East St. Louis, Ill.
FORTNER, W. C., Fortner Electric Co., Florence, S. C., believed to be in Daytona, Fla.
FRISCH, SAMUEL, 3037 Fulton St., Brooklyn, N. Y.
GESSLING (EDMOND R. & CONE (WALTER), Arrow Electric Co., 1507 Second Ave., New York City.
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JONES, E. H., Refrigerating Engineer, 200 Broadway, San Diego, Cal.
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KINGSBRIDGE BEVERAGE CO., 1405 Sedgwick Ave., Bronx, N. Y., 1387 Sedgwick Ave., Bronx, N. Y., 1450 Boscobell Ave., N. Y. C.
KLETT, THEO. A., prop., Speedway Oil Co., 2137 S. Cicero Ave., Chicago, Ill.
LEONARD, F. J., Louisville, Ky., 1250 Madison Ave., New York City, last heard from in Georgia.
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ROCKWOOD & SON, G. W., 44 Palmer St., Roxbury, Mass.
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ROSS, HAROLD J., Ross Taylor Co., Milwaukee, Wis., said to be in Los Angeles.
ROSSKY, S., 882 Fifth Avenue, Brooklyn, N. Y.
RUBACKZ, E. R., conducted drug store at 121 Maple Ave., Wallington, N. J.
RUBIN, WM., formerly of the Virginia Distributing Co., Norwalk, Va.
SCHEER, ALEX., formerly doughnut infg. business, Jacksonville, Fla., believed to be in Washington, D. C.
SILVER, CHARLES, Silver Grocery & Meat Mkt., Louisville, Ky., last known address, Toronto, Can.
SILVERSTEIN, I. M., formerly at 525 Broadway, New York City.
SIMS, A. L., 803 E. 7th Street, Hattiesburg, Miss.
SMITH, FLORENCE (MISS), 2310 Broadway, New York City.
STOVALL, J. J., Shenango, Texas.
SURPLUS TIRE CO., New York City.
TESENIAR, D. L., Carolcen, N. C.
TRAVIS, E. F., Blue Island Sign Shop, 414 Western Ave., Blue Island, Ill.
WEISS, A. D., or A. Dokken Weiss, operating Real Food Shop, St. Paul, Minn.
WILSON, R. J., 226 - 27th St., Newport News, Va.

When writing to advertisers, please mention the Credit Monthly

The Historic Event

(Continued from page 14)

the Convention on "Memorializing Legislatures Concerning Assignment and Collection Laws." (It will be borne in mind that when the Toledo Convention was held the country had no Bankruptcy Act.)

"The Objects and Advantages of a National Association of Credit Managers" was spoken to by Edward J. Rieckelman of Cincinnati. In his address Mr. Rieckelman said, "The real value of an organization will be measured by the justice of its cause, and whether existing conditions call for united action. Secondly, whether they understand clearly what they desire to accomplish, and lastly, whether they adopt the proper means and bring in requisition the necessary energy to bring about the desired results. . . . One of the most fruitful sources of information is the full and frank interchange of experiences between creditors of the same debtor, and I have great hopes that in this respect the Association will be instrumental in doing much good. We should know each other better, and feel that the good that comes from open and frank statements is mutual."

Two days had been occupied by Convention sessions, and at the opening of Thursday morning, June 25, a report was offered in behalf of a Committee on Constitution and By-laws, by F. R. Boocock, its chairman. The recommendations of this Committee reflect very careful thought and indicate the delegates to the Convention were getting down to their work with real seriousness. It is interesting to observe in the minutes how earnestly the report of the Committee on Constitution and By-laws was debated. The proposed organization was evidently not regarded lightly, but as expressing a real deep-hearted desire for a permanent, protective and useful organization.

After a consideration of this report, F. R. Boocock addressed the Convention on "Fraudulent Failures; Their Prevalence and Their Treatment." He made the statement that in the year 1895, nine per cent. of the failures were fraudulent and involved liabilities exceeding \$10,000,000. We can reflect upon this statement; and it may seem strange that, in spite of the number of fraudulent failures, so many years elapsed before the National Association of Credit Men

undertook in real and serious earnest the prosecution of commercial crime.

F. E. Jennison of Chicago spoke to the Convention on "The Theory of Credit and its Practical Application." It was an address reflecting a great deal of careful preparation and contained theories that would be illuminating to many of our present day credit managers. He quoted Daniel Webster as declaring, "Credit has done more to enrich nations, a thousand times, than all the mines of the world." In his address Mr. Jennison furnished a tabulation of failures by years, from 1883 to 1895

inclusive. In this cycle of thirteen years there were 147,676 failures, with total liabilities of \$2,264,917,148. A little more than 1 per cent. of all mercantile enterprises failed during this period.

Mr. Jennison made a strong plea for organization, and no doubt his appeal to the Convention went a long distance in confirming the conviction of those in attendance that the working together of the credit fraternity along mutual and co-operative lines was badly needed at the time.

In the Convention there was J. Vibert of Montreal, Canada. He had



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The Historic Event

(Continued from page 14)

been given a royal welcome in addressing the Convention, stated that he was present from a sense of interest, but gave no encouragement of Canada's ability to enter the organization.

The Convention concluded with a thoroughly consolidated purpose of organizing a national association; and signatures of individuals present signifying the intention of the signers to become members of the National Association of Credit Men were thirty-eight in number, and the following Associations:—Kansas City, Cincinnati, New Orleans, Detroit, New York, St. Joseph, St. Louis, Minneapolis, and the Sioux City Bureau of Credit Men.

Launched!

The ship had been launched, and while its proportions were not very imposing as it glided down the ways and moved out upon the surface of the business stream, there was a staunchness to its frame that gave encouragement of future activities, and the courageous meeting of difficulties as they arose.

Permanent officers for the Association were proposed by a Committee on Nominations, and accepted by the Convention. W. H. Preston of Sioux City was elected president and M. E. Bannin of New York vice-president. State vice-presidents were selected, and a National Executive Committee consisting of T. H. Green, Sioux City; O. J. Orchard, New Orleans; F. R. Boocock, New York; E. J. Rieckelman, Cincinnati; E. J. Baum, Omaha; Samuel Rosenthal, Baltimore; J. B. Howarth, Detroit; R. L. Morley, Chicago; T. C. Travis, St. Joseph; F. F. Toll, Minneapolis; G. M. Rundell, Danbury, Conn.; A. C. Case, Pittsburgh; W. S. L. Hawkins, Chicopee Falls, Mass.; and J. H. Leonard, Fort Wayne.

T. H. Green was elected treasurer, and acting secretary. At a later meeting of the National Executive Committee in Chicago, F. R. Boocock of New York was elected permanent Secretary.

This recites the story of the historic Convention, there seem to have been no incidents which might help to build up a dramatic episode. There was just the kind of earnestness which had made other historic meetings. As we look back upon this event and realize its true meaning to the Nation's business and to our credit structure, we cannot hold back a feeling of real gratitude and of sincere praise that a vision broke upon some ardent spirits in their country, and they ceased not to follow the star until their hopes were realized.

Not many of these founders remain upon the earth. Most of them have passed into the great unknown. We reverence their memories. We give them ardent thanks for the work they did, and we shall endeavor to keep alive the fires they kindled and to carry forward an organization to which their best thoughts were consecrated.

Standing at a distance of more than three decades from the historic meeting, we can see the pathway over which the organization has plodded tirelessly in its endeavors to meet the credit issues of each day, and to build up a sense of honor and a feeling of real sanctity in credit transactions.

Nationalize Your Credits

Credit Insurance

CREDIT INSURANCE is in no sense a substitution for the individual credit department. In fact credit insurance is not offered to any firm which is not equipped with a competent credit man. The function of Credit Insurance is supplementary to the credit man's activity. He is the determining factor before shipment of goods and we rely upon his judgment for protection. After the goods are shipped, Credit Insurance is the sole protection offered to the shipper.

A National Policy of Credit Insurance backs up the judgment of your credit man while assuming none of his prerogatives. It is backed in turn by the guarantee of the World's Largest Surety Company to prevent, else pay, all abnormal losses due to bad debts.

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"The Silver Anniversary"

(Continued from page 18)

Commercial Crook," followed by presentation of Samuel Ardron, Jr., Controller of the Credit Protection Department, who will offer a report on the income and disbursements of the Credit Protection Fund for this year.

Presentation of Director-Counsel Mat-tuck's assistants, including C. J. Scully and M. J. Davis.

Addresses by two speakers. One will describe Credit Protection work from the judicial viewpoint, and the other from the prosecuting viewpoint.

12:45—Adjournment.

Wed. Aft. and Eve., June 8

This afternoon and evening period will be devoted to the entertainment provided by the Louisville Convention Committee.

Thurs. Morning, June 9

9:15—Community Singing.

9:30—Convention called to order by President. Invocation.

9:35—Announcements.

9:40—Address by a statesman of National importance.

10:30—Address "The Humanities in Business", Miss C. G. Hull, President Dutchess Mfg. Co., Poughkeepsie, N. Y.

World Trade Period

11:00—Report and declaration of the National Committee on Foreign Credits by Chairman C. C. Martin, National Paper and Type Co., New York.

Report on Foreign Interchange Bureau and on the Activities of the Foreign Credit Department by Manager W. S. Swingle, New York.

11:20—Address on "How to Finance Exports and Imports From the Standpoint of Interior Banks", Vice-President W. F. Gephart, First National Bank, St. Louis.

Credit Interchange

11:50—Report and declarations of the Executive Committee of the Credit Interchange Bureau Department, Chairman E. Pillsbury, D. Rosenberg & Sons, Inc., New Orleans.

12:00—"Problems of the Credit Interchange Department as seen by its Manager," E. B. Moran, Chicago.

12:10—"The Credit Interchange Bureau as Seen from the Inside—How Users Can Help or Hinder", G. P. Horn, Secretary-Manager, Omaha Association of Credit Men.

12:20—"What Interchange Service Can Do in Maintaining Quality Credits," by a user of the service, followed by a general discussion of Credit Interchange conducted by National Director R. T. Graham, Pittsburgh Dry Goods Co., Pittsburgh.

12:50—Adjournment.

Thursday Afternoon, June 9

1:15—The Foreign Credit Interchange Bureau will hold a luncheon for delegates interested in foreign trade or foreign credits. This luncheon will be of special interest to members of the Foreign Credit Interchange Bureau, as will also the Conference on Foreign Credits which will follow the luncheon.

The Women Credit Managers will probably hold a meeting this afternoon under the chairmanship of Miss L. M. Guth, New York.

Adjourned meetings, if any, of Trade Groups (from Tuesday).

Thursday Evening, June 9

6:30—Eastern Division Dinner, presided

over by Vice-President J. F. Wood, Richmond Dry Goods Co., Richmond, and arranged by F. S. Jefferies, Eastern Division Manager, New York.

6:30—Central Division Dinner, presided over by Vice-President Geo. J. Gruen, Gruen Watch Co., Cincinnati, and arranged by E. B. Moran, Central Division Manager, Chicago.

6:30—Western Division Dinner, presided over by Vice-President F. D. Rock, Armour & Co., Denver, and arranged by B. B. Tregoe, Western Division Manager, San Francisco.

At each divisional dinner, the manager of the Division will offer a report of not longer than 15 minutes and short speeches will be made by two delegates on "What is Wrong With the Local Association" and "The Power of Organization to Prevent the Misuse of Credit." If time permits, a

third subject will be discussed, "The Utilization and Dangers of Trade Groups." The Eastern Division speakers will be National Director E. I. Kilcup, Davol Rubber Co., Providence, and H. P. Reader, Cannon Mills, Inc., New York. The Central Division speakers will be J. M. Paul, McDonald Bros. Co., Minneapolis, and National Director H. C. Burke, Continental National Bank, Ft. Worth. The Chairman of the Advisory Council of each of the divisions will also present brief reports. The chairmen are: W. Dayton Shelly, John B. Stetson Co., Philadelphia, Eastern Division; A. J. Peoples, Central Division; F. B. McComas, McComas Dry Goods Co., Los Angeles, Cal., Western Division.

Each of the Divisional Dinner meetings will adjourn not later than 10:00 P. M.,

(Continued on page 41)



Statements

As important as any evidence of a good credit risk is the satisfactory financial statement. Your frequent analysis of such figures places you in a position to judge better than any one the standing of the prospect.

The latest statement of our Company, shown below, is evidence of its high standing and responsibility as a protector of receivables.

Assets as of January 1st, 1927..	\$71,740,996.88
Capital	3,500,000.00
Surplus	25,610,575.98
All other liabilities.....	42,630,420.90

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Please quote us your lowest price on a set of 4 wheels to take 32" by 3" tires. Wheels complete with plain bearings, also rims. We will use 1 1/8" front and 1 1/4" rear axles.

Kindly send blue prints or sketches of wheels such as you furnish the Gas Mobile Co and Auto Car Co. We have not, as yet, decided upon any special make of wheels and shall be pleased to hear from you at an early date.

Yours truly *Henry Ford*
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Not in Dunger

When a Wise Credit Manager Meets a Good Credit Risk

"FATHER was a wonderful man on credit," Phineas Jones, Treasurer of Phineas Jones and Co., Inc., Hillside, N. J., tells the CREDIT MONTHLY. He based his credit dealings on the man rather than on the statement. I've often heard him repeat the advice he received from his father, which was something like this—'Henry, you had better go slow on him, his statement is too damn long.'"

The late Henry P. Jones, the merchant who preferred to base his credit dealings on the man himself rather than on financial statements, made one of his soundest credit decisions over twenty-five years ago, when he shipped to Henry Ford four wheels valued at \$66.

Phineas Jones has in his files the yellowed letter from Mr. Ford, which is reproduced above.

"My father received this first letter from Henry Ford in November, 1901," said Mr. Jones. "Although he later had other correspondence with Mr. Ford, this is all we have left of it now. He had never heard of either Henry Ford or the Henry Ford Co.—the name on the letterhead—and naturally hesitated to extend credit without some investigation. He instructed a clerk in the book-keeping department to find out something about Ford's financial rating, but the letter came back just as you see it, with the notation on the face of it 'Not in Dun's.'"

"Perhaps there was something in the letter itself that impressed my father favorably, but he probably re-

membered the advice of his father about the length of the statement, sometimes being a cause for suspicion. Certainly the information about this unknown Henry Ford was not 'too damn long.' At any rate, he took a chance and shipped the wheels to Mr. Ford."

"The bill for the wheels was paid promptly," added Mr. Jones. "About a year later we had a representative in Detroit, who called on Ford and tried to sell him some more wheels. But at that time Ford said he had not yet perfected the new gasoline car he was experimenting on."

"We never got a second order, though,—no, there was nothing the matter with our wheels. But Ford discovered—and he might not be a billionaire today if he hadn't had the trick of always discovering things like this)—that he could get wheels right in Detroit and save the freight charges."

Phineas Jones & Co. was located at 301 Market St., Newark, N. J., at the time Ford sent the order, but is now established at Hillside, N. J. The company was organized in 1855 by Phineas Jones, the grandfather of the present Phineas Jones. During the Civil War, the concern manufactured caisson wheels; it was just beginning to manufacture automobile wheels when Henry Ford asked for credit, and still manufactures wheels for automobiles, motor trucks and wagons.

The maximum of credit satisfaction seems to be obtained when a wise credit manager meets a good credit risk.

When writing to advertisers, please mention the Credit Monthly

"The Silver Anniversary"

(Continued from page 39)

and all the divisions will join in an Informal Dance.

Friday Morning, June 10

- 9:00—Community Singing.
 9:15—Convention will be called to order by the President. Invocation.
 9:25—Report of the Legislative Executive Committee and Declarations by Chairman E. L. Harris, Swift & Co., Boston.
 9:35—"My Observations on the Amended Bankruptcy Act and My Recommendations as to How it Should Be Used," W. Randolph Montgomery, New York, of counsel of N. A. C. M.
 9:50—Report of the Committee on Credit Policies and Methods with declarations, offered by Chairman R. H. Hitchcock, Simonds Saw & Steel Co., Boston.
 10:15—Address, "How Can the Credit Department Improve its Technique and Practice," by a credit manager.
 11:00—Report of the Committee on Education and Research with declarations, by Chairman David E. Golieb, Einstein, Wolff Co., New York. "Some Observations on the Department of Education and Research and What it Is Able to Accomplish," by Dr. Frank A. Fall, Manager, followed by a general discussion.
 11:30—Address by an educator of national prominence.
 12:00—Debate "The Instalment Plan of Selling—Its Utility as a Marketing Feature and Its Dangers in Credit Inflation."
 12:45—Adjournment.

Friday Afternoon, June 10

- 2:30—Community Singing and musical program.
 3:00—Address, "The National Association of Credit Men and What It Has Done For Me," by a credit manager.
 3:15—Address, "What Can I Do For the National Association of Credit Men?" by a credit manager.
 3:30—Report of the Committee on Resolutions.
 4:00—Summary of Business Conditions as gathered through Trade Groups. Report arranged and presented by Dr. Frank A. Fall.
 4:15—Report on Membership by the chairman of each of the three divisions and by the three divisional managers. Chairmen: Eastern Division, J. C. La Rue, Edison Portland Cement Co., New York; Central Division, H. W. Sparrenberger, Oswald-Sparrenberger, Evansville, Ind.; Western Division, Earl Scott, Galbraith & Co., Seattle, Wash.
 Awarding of the Association's Trophies For Membership Achievements by H. W. Sparrenberger.
 4:40—Election of Presidents and Vice-Presidents For the Ensuing Year.
 5:15—Report of Nominations Committee.
 5:40—Adjournment.

The Creditor's Memory

"It has been said that the creditor always has a better memory than the debtor—owe money to be paid at Easter and Lent will seem short," says Sidney Smith in a cartoon in the Chicago Tribune.

Strengthening Our Foreign Trade Relations

By W. S. Swingle

THE National Association of Credit Men has taken a keen interest in the Hoch-Willis Bill signed recently by President Coolidge, which gives a permanent legal status to the Foreign Commerce Service of the United States in the Bureau of Foreign and Domestic Commerce of the U. S. Department of Commerce. Every member of the Association is directly or indirectly concerned with the development of our foreign commerce.

The Bureau, through its foreign service, has increased the country's business more than \$30,000,000 in the past year by supplying our business men with accurate, prompt information about conditions in foreign countries and thus enabling them to find enlarged markets for their goods.

Members of the National Association

of Credit Men, and especially those who avail themselves of the service of its Foreign Credit Department and of its Foreign Credit Interchange Bureau will rejoice in the fact that high standards can now be maintained among the Nation's commercial representatives in foreign countries. They appreciate the far-seeing service rendered to American business by Senator Frank B. Willis of Ohio and Congressman Homer Hock of Kansas, whose names are identified with the bill.

This legislation, when proposed, was supported by resolutions of the N. A. C. M. Convention of 1926 and of the N. A. C. M. Directors at their meeting in September, 1926, and by the Foreign Credit Executive Committee and Legislative Executive Committees of the Association.

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Around the Circle

(Continued from page 19)

Manager, motored us from Portland to San Francisco and we stopped off at Sacramento for a half hour call on the Governor of California.

At San Francisco there was a luncheon tendered us by the Vigilantias, a playful organization within the San Francisco Association of Credit Men, a dinner that was more formal, and an "official family" luncheon. The educational work is going on well in San Francisco.

Since my last visit to the Pacific Coast, the Association has opened its Western Division Office in San Francisco and I was delighted to find how the services of the National Association are being rendered to the Western Division members through its office under the 100 per cent. effective management of B. B. Tregoe. Since the National convention of 1921 Oakland has grown industrially and otherwise to such an extent as to remind a New Yorker of the thriving cities of Newark or Jersey City. We were received by the Mayor of San Francisco who seemed somewhat astonished to find that we had no favors to ask and who provided for us a wonderful trip around the Bay of San Francisco in a fire boat under the auspices of the Fire Chief.

At Los Angeles it was most impressive to find the old stalwarts like Messrs. McComas, Couch and Goldwater just as deeply interested in the Credit Men's Association as they were years ago when holding National office.

At the Breakfast Club of Los Angeles I had the opportunity to tell 250 members the story of our Credit Protection Fund and later visited the sumptuous offices of the Los Angeles Association. Through the influence of President Spence of the Association, we were able to visit two of the motion picture studios, a privilege harder to secure nowadays than heretofore.

On my way home I appealed to many local associations to use the San Francisco and Los Angeles Adjustment Bureaus which are so highly organized and have so many years of experience behind them.

The San Diego Association held while we were there a joint meeting of retail credit men and of the Chamber of Commerce with an attendance of 200.

There is certainly a thrill in the attitude of the business men of the West. No doubts seem to assail them and they are constantly forging ahead with unbounded confidence.

From El Paso we made a short journey into a foreign nation, by visiting Juarez. At San Antonio the local association had arranged for me to visit the Retail Credit Men's Organization which has a large membership and is doing some prosecution work.

From Dallas and Ft. Worth we went to Houston where we found a great deal of interest in oil and shipping instead of a concentration upon cotton.

We had the pleasure of attending the first Mardi Gras Ball at New Orleans and we found the entire city wrapped up in the outstanding social event of the year. Our National Director, Hamilton, was, as usual, directing Mardi Gras.

Visits to Birmingham, Memphis, St. Louis and Evansville completed our itinerary and we returned to New York full of gratitude for the hospitality we had received and of high hopes for the future of the National Association of Credit Men.

A Trading Nation's Downfall

(Continued from page 21)

that little country the products of the farther East including the "living commodities" of Caucasia and Armenia, which meant horses and women kidnaped to be sold as slaves.

Egypt sold the Phoenician business man her famous linen, papyrus, earthenwares and ivory; Arabia her renowned horses, incense and precious stones; India shipped him her spices, gorgeous cloths, ebony, brassware and perfumes; and pottery, dates and dried fruit came from the lands east of the Tigris. Wine and olive oil were furnished by the people occupying the Palestinian and Syrian hinterlands. Tyrian purple, a dye so eagerly sought by the ancients, was manufactured from a marine shell-fish by the Phoenicians themselves and formed a great source of profit. They purchased their tin and copper from Britain through Mediterranean merchants and from Spain they brought enormous quantities of silver. They even circumnavigated Africa in

search of new sources of material.

Phoenician merchants living in extreme luxury are often mentioned in old writings. On their return from these ventures, and while awaiting the manufacture of the raw material, which they brought home, into commodities suited for European and North African markets, these skilled merchants gave way to a life of debauchery which eventually sapped the vigor of the nation. Huge industries sprang up to supply the trade of these middlemen. The immense navy of merchantmen, manned by slaves representing all known nationalities, veered its course towards two carefully planned sea-routes: North Africa and Europe.

Mutual Confidence

With the semi-barbarous inhabitants of Africa the trade consisted mainly of colored cloths, cheap weapons, gewgaws, salt and amulets. It was done in the form of barter, the exchanged merchandise being for the most part gold, slaves or ivory. The renowned Greek historian, Herodotus, relates a curious usage between the Phoenicians and their African customers at a time when they lived up to their credit obligations. "There is a country in Africa," he says, "outside of the columns of Hercules (Gibraltar). When the Phoenicians come hither, they unload their goods and set them in order by the sea-side. This done, they embark on their ships again and make a smoke. And the people of the country, seeing the smoke, come down to the sea and put gold beside the goods and depart to a distance. Then the Phoenicians come forth from their ships to the land and look; and if it seem to them that the gold is of equal value with the goods, they take it and depart; but if it seem not equal, then they return to their ships and sit still. Then the barbarians come and add other gold to that which they put before until they persuade them."

Later, when the Phoenicians abused the trust that was put in them by their customers, their business declined. Their sharp practices made enemies for them everywhere.

The European trade was conducted on a less awkward system and demanded the best commodities obtainable from the Orient. But the barter basis took a long time to give way

(Continued on page 44)



O. H. WALKER

O. H. Walker Accepts San Francisco Secretaryship

THE San Francisco Association of Credit Men has been fortunate in securing as its secretary-manager a man who has been long in credit work and active in the credit fraternity. Secretary-Manager O. H. Walker comes from the Edison Phonograph Distributing Corporation, San Francisco. For the past twelve years he has identified himself with the work of the San Francisco and of the National Associations. He has served as the First Vice-President of the San Francisco organization, as a member of the National Business Service Committee, and as a member of the Board of Trustees of the Western Division Office. He was one of the most active men in the Credit Protection Fund drive and was an organizer of the genial group of credit managers who call themselves "The Vigilantias". Delegates to the 1921 Convention remember him as one of those who made that convention memorable.

Since F. S. Jeffries left the secretaryship of the San Francisco Association on August 1 to become Eastern Division Manager of the National Association, no successor had been chosen until recently.

A 1926 Delegate

Mrs. W. H. Pouch, care of the President of the N.A.C.M., One Park Avenue, N. Y., would like to know the home city of Mrs. John Fisher, 159 Sterling Avenue, who attended the 1926 N.A.C.M. Convention in New York and who was present at the Westchester Luncheon.

An Instalment Operation

According to an account that has reached the CREDIT MONTHLY orally, a man arranged to have an appendicitis operation and to pay for it in instalments. A few weeks later he was walking carefully to his office when he met a friend who asked him about the operation and the arrangements for payment. He replied:

"Yes, by heck—two more monthly payments and this operation will be long to me."

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"The People's Messenger"

A Trading Nation's Downfall

(Continued from page 21)

to a monetary standard, especially when Roman power was in the ascendant. Thus we hear of Phoenician enterprisers who bartered their goods for sulphur from Etna; wine from Italy; wax and honey from Corsica; iron from Elba; amber from the Baltic; and silver from Spain.

What amounted to a "bank standing" was accomplished, according to Aeschines, another ancient author, through a form of what might be called a credit voucher. "The Phoenicians," he tells us, "make use of the following kind of money. In a small piece of leather a substance is wrapped of a size of a piece of four drachmae. What this substance is no one knows but the maker. After this it is sealed and issued for circulation; and he who possesses the most of this is regarded as having the most money and as being the wealthiest man. But if any of us had ever so much, he would be no richer than if he possessed a quantity of pebbles." Commenting on this, a recent scholar says: "This unknown substance was probably an alloy metal of which the ingredients were a state secret and the seal was a state mark. We have, in fact, here a clumsy bank-note."

A vast empire, so to speak, founded on no ethical, cultural or artistic cornerstone than mere commerce and whose industries were the result of slave labor was bound to incur the enmity of other nations, chiefly because the lack of business ethics of the Phoenicians exasperated the peoples with which they traded.

Besides, as the slave traffic was the greatest trade of ancient times, the Phoenicians gradually became the victims of their slaves who eventually learned all their secrets and with these secrets fled to their enemies. Especially did the Greeks, their nearest maritime rivals, and the Jews hate these merchants. Ezechiel, the Hebrew Prophet, is vociferous against their mercenary spirit. "Thou hast sinned," he exclaims, apostrophising their chief city Tyre, and "by the multitude of thy merchandise, thy inner parts were filled with iniquity." He speaks of it as being "the mart of many lands," and predicts of her enemies "they shall waste thy riches, they shall make a spoil of thy merchandise." (Ezechiel: XXVI & XXVII)

But the Phoenicians, the greatest nation of traders in the ancient world, brought about their own downfall largely through their failure to observe the sacred obligations of business which have made other trading nations great.

Wherever mines were known to exist, no matter what sea perils stood between them and the source of possible profit, the Phoenician business men were sure to venture forth in their omnipresent galleys. They followed the armies of conquerors at the risk of their lives and purchased the booty and the women captives. They embittered the Greeks of Asia Minor by their endless haggling. The Jewish women drudged night and day to supply the Phoenicians with homespun for a puny remuneration and the Phoenician money-lenders were notorious for their usurious exaction on Jewish borrowers. When the Greek leader, Alexander, attacked the Persian Empire the Phoenicians, hated by the Greeks for their unscrupulous practices, joined his enemies, the Persians. The conqueror reduced their cities to subjection, to the intense delight of their Jewish and Greek enemies. Since then the Phoenician as a business man disappeared fast and the race gradually mingled its blood with the oncoming Arabian and other tribes which swarmed over the land.

Boy of Twelve Obtains Credit

(Continued from page 12)

manner. He expressed his willingness to buy any small thing that Otto wanted, and feared that he would not be considered a good provider if Otto made a practice of exercising his business capacity by getting loans from outside sources.

Otto promised his father that hereafter he would talk over his business projects with him first. Now, with his usual confidence, Otto is eagerly looking forward to the completion of the delivery system—when the dog, the harness and the express wagon are all assembled. Then he will be ready to hold a real job.

Otto does not want to be misunderstood. He told the CREDIT MONTHLY reporter earnestly, "Of course I'd never carry so much in the wagon that it would hurt the dog."

Can You Answer These?

(Continued from page 20)

discountable at Federal Reserve banks?

36. Can a debtor receive his discharge from his debts under an assignment for the benefit of all his creditors?

37. Does the confirmation of a composition discharge the bankrupt from his debts?

38. How is a property statement form used?

39. What is meant by two-name paper?

40. Who may become a voluntary bankrupt?

41. Who may be adjudged an involuntary bankrupt?

42. What are the five acts of bankruptcy?

43. Within what time may a bankrupt file an application for a discharge?

44. What acts, if committed by the bankrupt, will prevent the granting of such an application for a discharge?

45. How are referees in bankruptcy appointed?

46. How long do referees hold office?

47. Who are preferred creditors?

48. What debts will the court order the trustee (in bankruptcy) to pay?

49. May a state pass a bankrupt act?

50. What subjects are covered by the correspondence courses of the National Institute of Credit of the N. A. C. M.?

Making Bad Debts Good

(Continued from page 16)

year for instance, he paid one debt to Stern Katzenstein & Co. of \$1,648.79.

Mr. Picker, who is now vice-president of the motion picture enterprises of Marcus Loew, regards his policy-loan debt as a lucky one. He allows this debt to stand and pays the annual interest with a peculiar pleasure and satisfaction.

The additional fifty per cent. that he has added to the debts he paid on Christmas day represents, he says, the amount the sum of the debts would have earned if deposited in a savings bank for about thirteen years, which is the approximate duration of his indebtedness. Consequently Mr. Picker says he feels that he has not really caused a cent of loss to any of the

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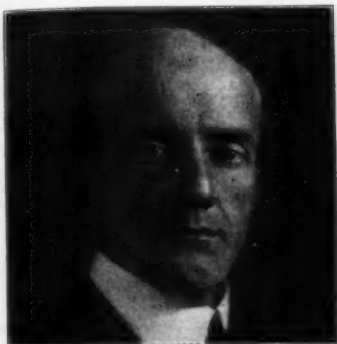
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APRIL, 1927

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creditors who were so intelligent and human as to accept a settlement with him. His payments, while a personal satisfaction to him, are also an expression of his gratitude.

It was not easy in all cases to find the creditors after the lapse of years. However, Mr. Lewison, who is now Mr. Picker's personal accountant, managed to reach all those who were alive. The heirs of those few who had died received the sums that were due their relatives.



GEORGE C. SHINN

N. A. C. M. Representative at Washington, D. C.

GEORGE C. SHINN has been appointed as representative of the National Association of Credit Men at Washington, D. C., with offices in the Wilkins Building, 1512 H St., N. W. A resident of the District of Columbia since 1890, Mr. Shinn practises before the U. S. Supreme Court, the courts of the District and many of the State courts. He was admitted to the bar in 1904, after working his way through two law schools. For some years he was stenographer to the late Senator Nathan B. Scott of West Virginia, and in the same period was correspondent for several out of town papers. During the World War he served in the Navy Department in Washington, and in France he won a citation from the commanding officer of the 52nd Infantry for his services with that regiment.

Mr. Shinn has practised law for seventeen years in Washington, is attorney for the Associated Retail Credit Men of that city and is a member of the Royal Arcanum, Sigma Nu Phi, American Bar Association, Commercial Law League of America, Bar Association of the District of Columbia, and of the City Club of Washington.

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New York City.

Will you kindly mail me information concerning the following courses: (Check course desired).
"Basic Economics" ()
"Credits and collections" ()

Name.....
City..... State.....
Street.....
Firm.....

Certificates The National Institute of Credit gives two Certificates, the Junior and the Senior Certificate. The Junior Certificate is awarded to students who have completed the following 300 hours of work.

Credits and Collections.....	60 hours
Economics.....	60 hours
Business English.....	60 hours
Accounting.....	60 hours
Law of Contracts, or Corporation Finance and Investment Credit.....	60 hours
Total.....	300 hours

The Senior Certificate is awarded to students who have completed the work prescribed for the Junior Certificate and 300 additional hours (a total, therefore, of 600 hours) in the following subjects:

Law of Contracts, or Corporation Finance and Investment Credit.....	60 hours
Principles of Business.....	30 hours
Merchandising.....	30 hours
Money and Banking.....	30 hours
Business Barometrics.....	30 hours
Business Law of Bankruptcy.....	30 hours
Negotiable Instruments.....	30 hours
Foreign Trade and Foreign Credit.....	30 hours
Credit Research.....	30 hours
Total.....	300 hours

Associates and Fellows in Credit Students who have been awarded the Junior Certificate and who have had three years of practical credit experience become Associates of the National Institute of Credit. Students who have been awarded the Senior Certificate and who have had five years of practical credit experience become (provided they are at least 25 years of age) Fellows of the National Institute of Credit.

Organization The educational work of the Institute is under the direction of the Director of Education, aided by a Supervisory Committee, composed of a board of four business educators and eight experienced credit men. The Committee on Credit Education of the National Association co-operates in establishing and maintaining local chapters.

Today is not too soon to get started on an Institute course. Fill out the coupon at the lower left-hand corner of this page and send it at once. By return mail you will receive a general prospectus of the Institute, special bulletins describing the correspondence courses, and registration blanks. The courses are \$15 each or \$25 if taken together. This is at cost. The aim of the Institute is not to make profits but to help to produce better credit men.

Even if you are not definitely engaged in credit work, or looking forward to it, remember that these courses will be of distinct value to you in any business. When new policies are to be formed, modern business turns to the man who is thoroughly trained in the principles of credit, for the man who knows credit knows business.

Mail the coupon today, and the Institute will give you full information concerning the courses. Then let the Institute help you to get a thorough knowledge of credit—the foundation stone of modern business.


NATIONAL INSTITUTE OF CREDIT

One Park Avenue

New York City

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